The impact of the COVID-19 pandemic on the Social Housing Sector in Scotland and comparisons with the whole of the UK

August 2021

The Social Housing Resilience Group

with

Housemark Scotland

Scotland's Housing Network
Your partner in housing

Contents

Foreword

The Social Housing Resilience Group (SHRG) was established in March 2020 to help social landlords to respond to the evolving and significant challenges brought about by the COVID-19 pandemic. Throughout 2020/21 the Scottish Housing Regulator collected and reported monthly information from social landlords on behalf of the SHRG to help it monitor how the pandemic impacted on social landlords. You can see the published dashboards and full data set on the SHR website.

We have worked with Scotland's Housing Network and Housemark Scotland to produce a review of the information from the monthly returns from April 2020 to March 2021, supplemented by the information that both organisations have been collecting from their member landlords in Scotland and the UK, respectively. This report is first and foremost an analysis and review of data, and we hope this helps to build as full a picture as possible of the impact of the pandemic on social landlords in Scotland and the UK. In due course there will be wider consideration of the lessons for social landlords coming out of the experience of the pandemic.

We would like to thank Scotland's Housing Network and Housemark Scotland for their analysis and insight in producing this review as well as the Scottish Federation of Housing Associations (SFHA) for providing data collected through their quarterly members' survey.

Finally, a huge thank you on behalf of the SHRG to social landlords across Scotland for working with us on the COVID-19 monthly returns throughout 2020/21.

The Social Housing Resilience Group

Association of Local Authority Chief Executives
Chartered Institute of Housing
Convention of Scottish Local Authorities
Glasgow and West of Scotland Forum
Public Health Scotland
Scottish Federation of Housing Associations
Scottish Government
Scottish Housing Regulator
Cassiltoun Housing Association
Home Scotland
Osprey Housing
Wheatley Group

Introduction

Scottish landlords provided data to the Scottish Housing Regulator (SHR) during 2020-21 to help the Social Housing Resilience Group monitor the impact of the COVID-19 pandemic on the sector[1]. This data was collected monthly and is the primary data used in this report to analyse the impact of the Covid-19 pandemic on the Scottish social housing sector. The data on legal action is used by the Scottish Government in its regular reports to the Scottish Parliament on the continuation and necessity of the emergency Coronavirus legislation relating to evictions.

This primary data has been analysed by Scotland's Housing Network (SHN) and is supplemented with secondary data collected monthly by Housemark from its members across the UK which highlights important differences in data between Scotland and the UK. The quantitative and qualitative data provided by SHN and Housemark has also been supported by additional information supplied by the Scottish Federation of Housing Associations (SFHA) from their quarterly members' survey.

The SHR data has been analysed at year-end position as at 31 March 2021.[2]

For Housemark's UK-wide data collection, participating landlords provided data for around 20 headline performance indicators, initially developed in consultation with the sector and housing regulators. This data was collected monthly. The UK data has been supplied to track trends for the following periods:

- The position at month end 31 March 2020
- The position at month end 30 April 2020
- The position at quarter end 30 June 2020
- The position at quarter end 30 September 2020
- The position at quarter end 31 December 2020
- The position at quarter end 31 March 2021

For the SFHA's Universal Credit members' survey, additional questions were introduced in April 2020 to monitor the impact of the COVID-19 pandemic on the sector. This data was collected quarterly.

The principal authors of the report are:

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- Scotland's Housing Network — **info@scotlandshousingnetwork.org**

[1] https://www.housingregulator.gov.scot/for-landlords/advisory-guidance/recommended-practice/monthly-coronavirus-covid-19-information-return#section-2

[2] Please note that this analysis is based on corporate group structures e.g. Wheatley Group and Link Group. Also, very small RSLs (under 500 units) are excluded to avoid unrepresentative percentages, particularly for maximum and minimum values.

Overview

The Covid-19 pandemic has delivered the biggest global shock in recent memory. As the country went into lockdown on the 23 March 2020, the social housing sector responded immediately to protect tenants and employees from the threat of COVID-19 infection, and in so doing fundamentally changed some long-held ways of working and delivering services.

The COVID-19 pandemic came at a time when the sector was responding to other major disruptive events: the Grenfell disaster and consequences arising from it; the recent and increasing risk of cyber-attacks; the emerging social and economic fall-out from Brexit; and the impact and implications of climate change. Policy and regulatory changes, and the other pre-pandemic demands in the 'in trays' of housing leaders add to the changes that have occurred since March 2020 and highlight the challenges that lie ahead for social landlords as they recover out of the pandemic.

Early in the first national lockdown social landlords mobilised to continue to deliver those services that were designated as essential. Unsurprisingly however, the significant restrictions had an immediate impact on some of the core services of social landlords, such as repairing and maintaining homes and particularly allocating empty homes. The immediate and near-universal halting of the letting of empty homes has contributed to a large increase in the number of people in temporary accommodation, a significant backlog in getting empty homes in to use, and a considerable loss of income for social landlords. Arguably, a major lesson from the pandemic is the critical importance of continuing to let homes, especially to those people experiencing homelessness.

There was a clear correlation between lockdowns and arrears – increased restrictions resulted in higher arrears. With around 40% of Universal Credit claimants in paid employment,[3] lockdown-led economic slowdowns meant less work and lower income for many people in social housing, combined with increases in household costs such as heating, food and material to support children being home-schooled.

Some social landlords across the UK ended March 2021 in a better financial position than they could have predicted a year earlier. This is a consequence of reductions in outgoing costs associated with the suspension of construction and maintenance activity and better than expected performance in rent arrears management. In addition, some landlords received additional income through the government's Job Retention Scheme (JRS), at varying levels and durations. The extended duration of the response to the pandemic also meant that the reductions in expenditure and the additional JRS income were larger than many would have initially forecast.

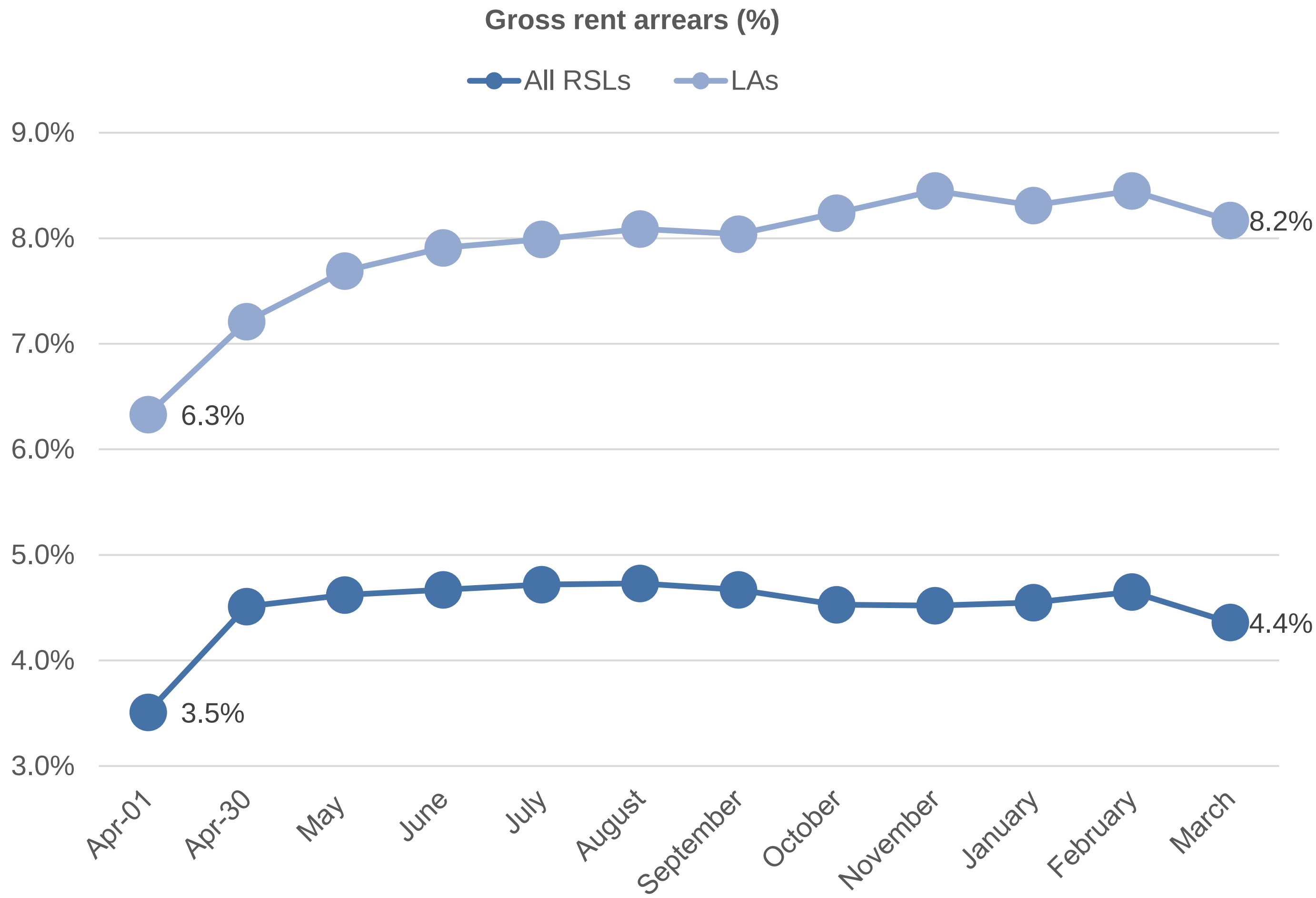
[3] https://stat-xplore.dwp.gov.uk/ All UC claimants October 2020

PART ONE

Performance in Scotland

Section 1: Arrears

The gross rent arrears for local authorities (LAs) rose from an average of 6.3% (£88m) on 1st April 2020 to an average of 8.2% (£101.6m) in March 2021. For Registered Social Landlords (RSLs) the gross rent arrears rose from an average of 3.5% (£58.8m) to 4.4% (£60.1m) during the same time frame.



Source: SHN

The gross arrears figure was adjusted from 31 March 2020 to 1 April 2021 by excluding former tenant arrears from 2019-20 and adjusting rental income by percentage increase from the Annual Return on the Charter (ARC) data.

Landlords have commented that the large increase in April 2020 was due to a combination of:

- large numbers of tenants losing employment or being furloughed, so not being able to use their previous payment arrangements
- caution about the uncertainties being faced
- the time taken for landlords to adjust their service provision to the lockdown restrictions; and
- the volume of Universal Credit (UC) claims, particularly the delays at the time in receiving direct payments.

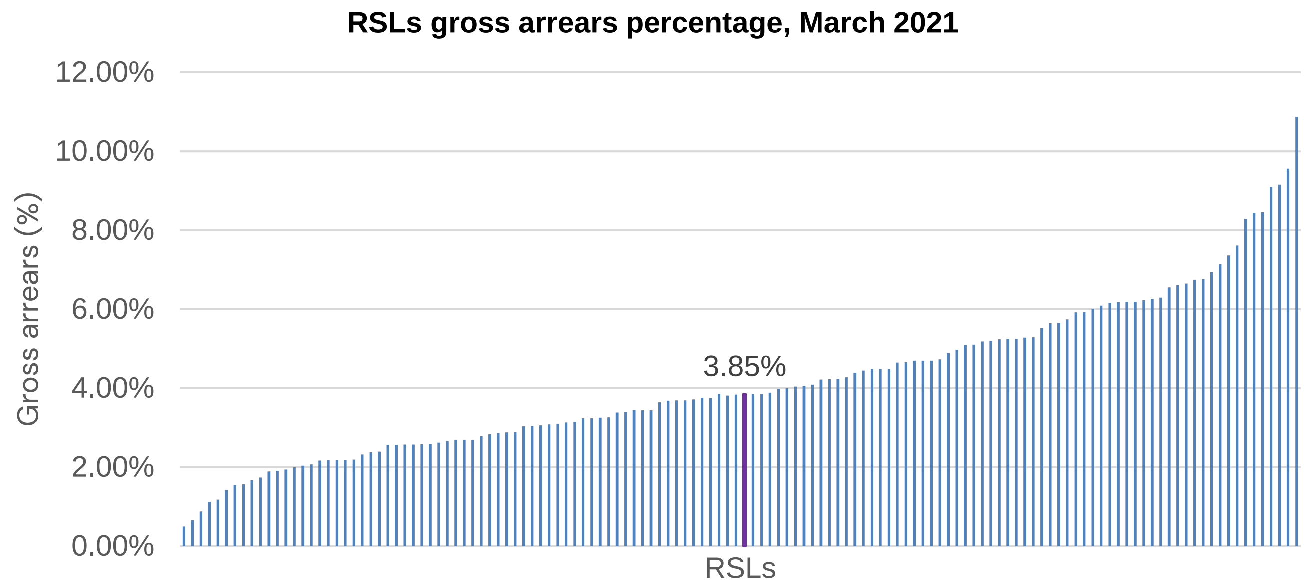
This effect was not universal: 17 landlords reported a fall in arrears in percentage terms. This includes two LAs where their ‘rent-free’ weeks were applied then, meaning that any payments made in April would reduce arrears.

Arrears at end of March 2021 compared to the previous year were:

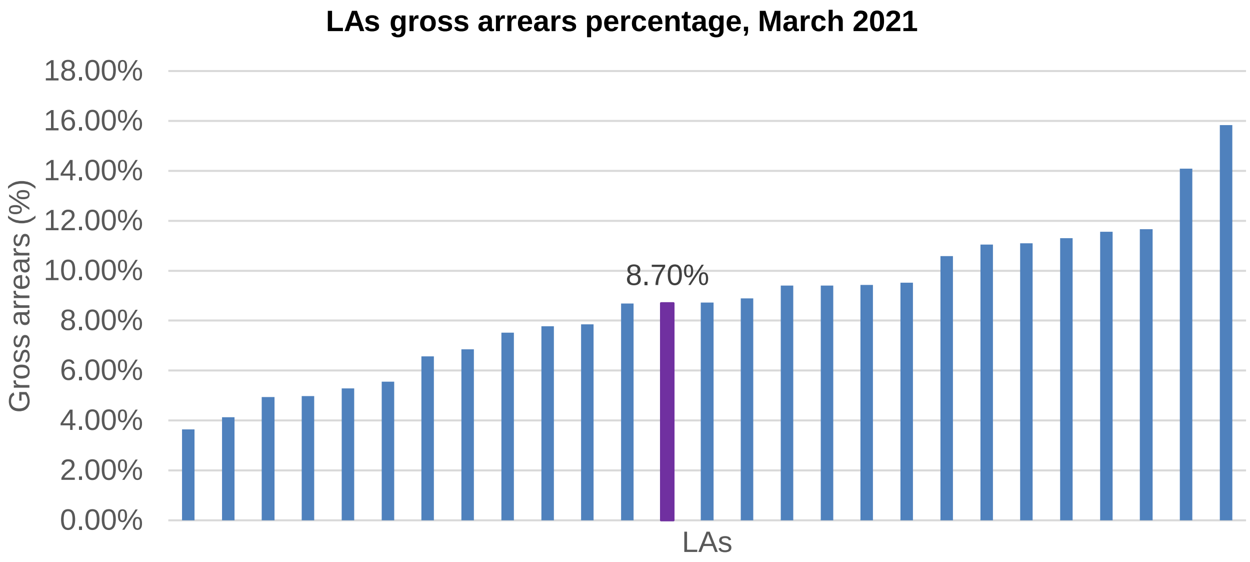
	March 2020	March 2021	Percentage Increase
Local Authorities	£88.0m	£101.6m	15.45%
Registered Social Landlords	£58.8m	£60.1m	2.21%
Total	**£146.8m**	**£161.7m**	**10.15%**

LAs saw a greater increase in rent arrears than RSLs. Whilst seven LAs did reduce their overall arrears three large LAs experienced increases of over £1m.

The charts below illustrate the variation across landlords as of March 2021, with median in purple. These show that the median gross arrears percentage for RSLs is 3.85% and 8.70% for LAs, compared to 3.9% and 7.9% respectively for 2020.



Source: SHN



Source: SHN

Whilst some landlords have not seen an increase in the overall level of rent arrears, they have reported an increase in the number of high-level rent arrears cases. Many also expressed concerns about the possibility of further rent arrears increases once furlough came to an end.

> *"Our income performance is holding up well to date, but we have serious concerns within the team about the ending of the furlough and increase in Universal Credit claimants."*
> Cairn HA/ANCHO

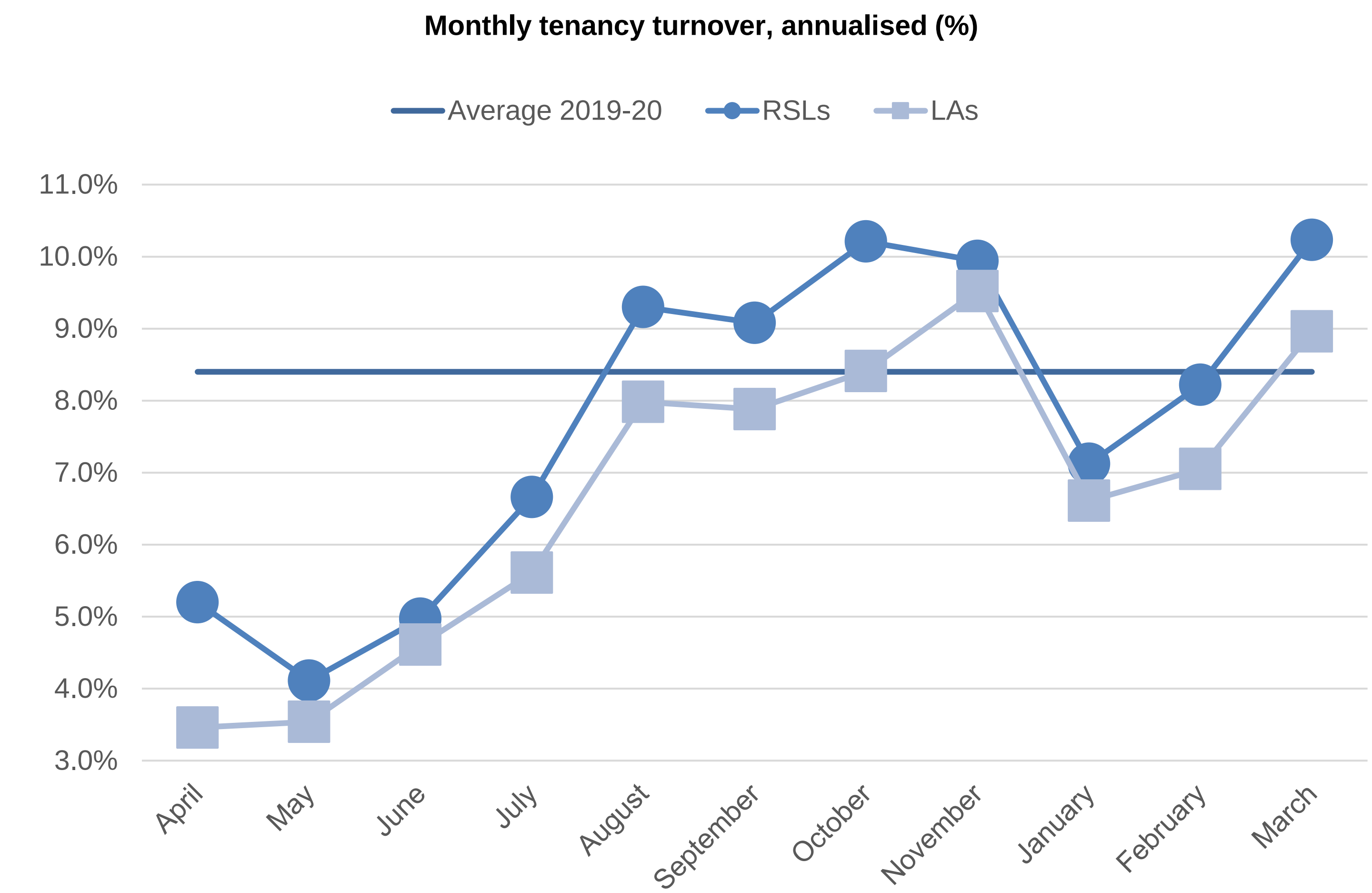
Anecdotally, it has been reported that single person households have been disproportionately impacted alongside an increase in single parent families with high arrears balances. Many landlords are working with households who had never been in arrears before, including households on furlough and those with a reduced income.

Section 2: Voids, lettings and homelessness

In March 2020, the Covid-19 pandemic presented two fundamental challenges to social housing lettings:

- how to continue to provide homes to those that need them most whilst respecting social distancing rules and protecting staff and prospective tenants; and
- how to mitigate the immediate financial impact of having more homes empty for longer, and not generating rental income.

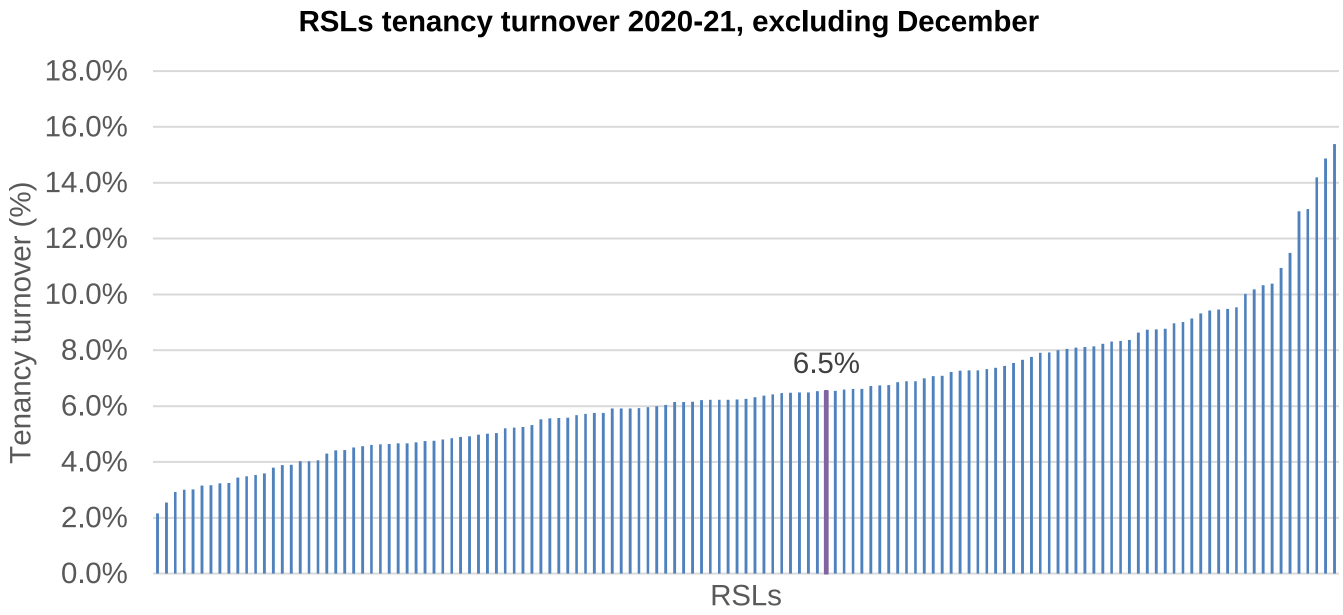
The average monthly tenancy turnover for the whole sector in 2019-20 was 8.4%, with LAs very slightly lower, and RSLs slightly higher. The chart below illustrates that in 2020-21, the rate of tenancies ending was initially around half the rate of the year before, only rising above the 2019-20 average from August to November, then falling again until a rise in March. This broadly reflects the varying level of public health restrictions to manage the pandemic. The overall average for the year was estimated at 7.7% for RSLs and 6.7% for LAs. It is uncertain if this rate will catch-up as restrictions ease during 2021-22 which has implications, especially for councils rehousing homeless households, as well as for void rent loss and managing the voids process.

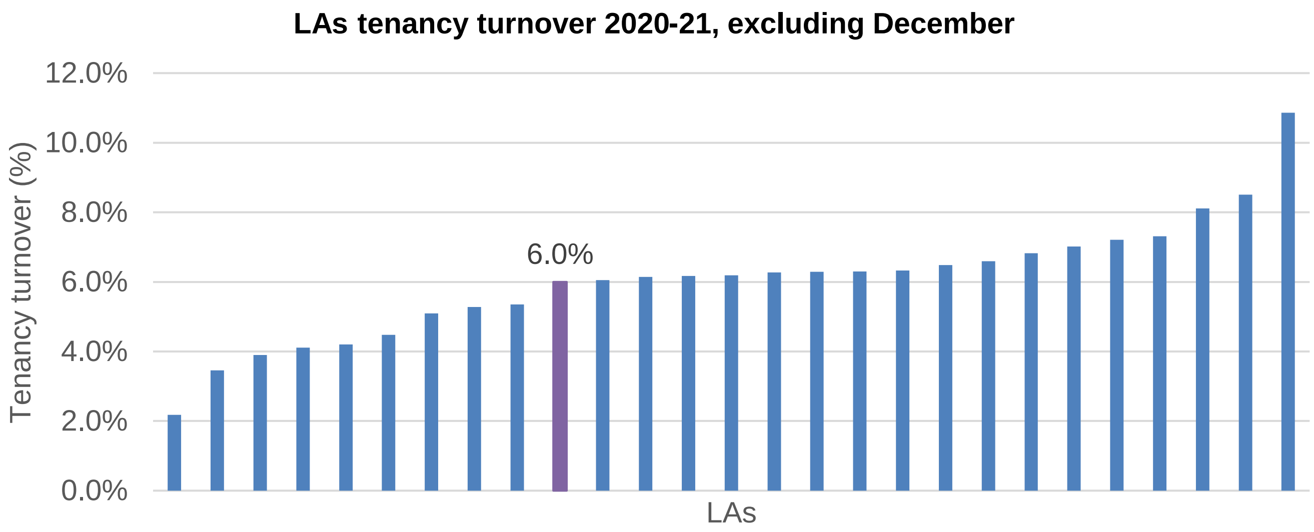


Source: SHN

The overall turnover for the year varies substantially between individual landlords, as it does every year. As a comparison, in 2019-20, for LAs this varied from 3.6% to 11.3%, and from 3.0% to 20.6% for RSLs. This includes the large specialist RSLs, five of which were over 10.0%.

The charts below illustrate the tenancy turnover for RSLs and LAs in 2020-21, with the median in purple. These figures exclude vacancies in December as data was not collected by SHR that month.

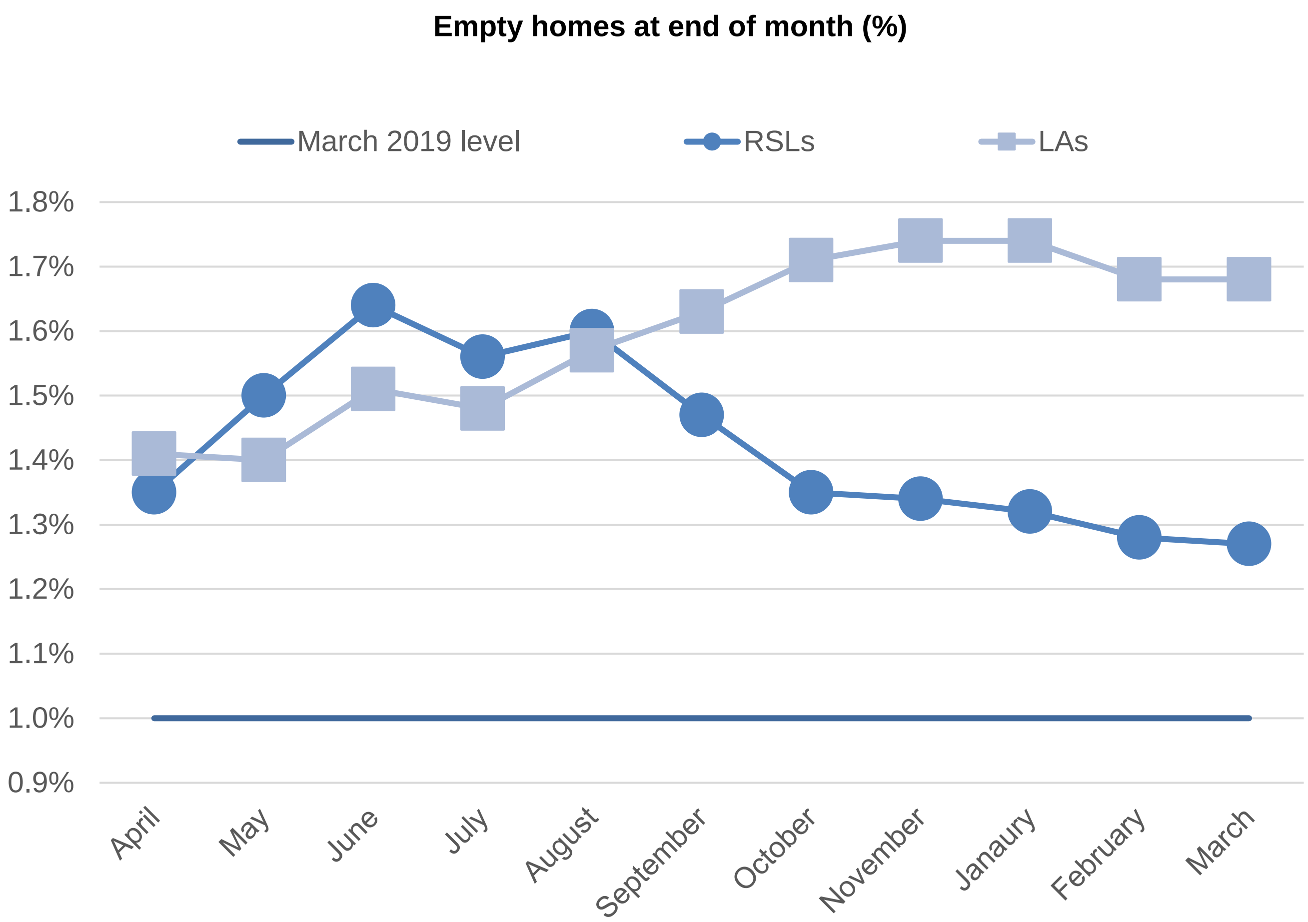




Source: SHN

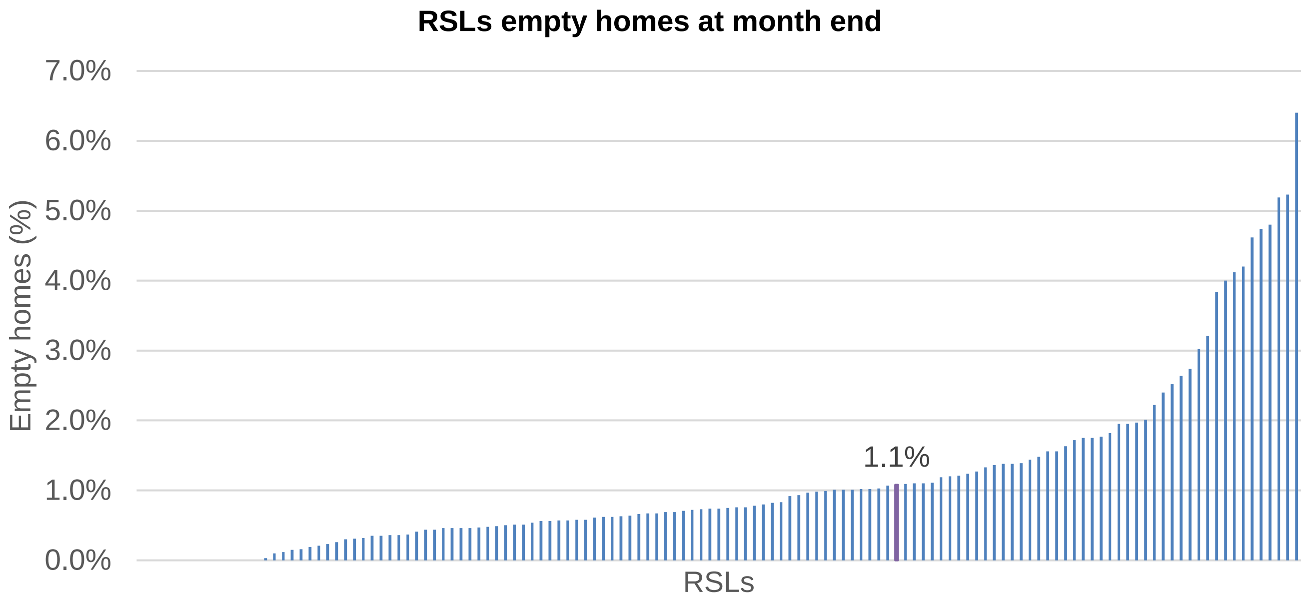
Despite the fall in the number of tenancies terminating, the number of empty homes has increased from the March 2018-19 figure, which is the last data available. These mainly represent usual turnover, rather than long-term unlettable voids, which were less than one in ten of those, and the number had been steadily reducing up to March 2019.

There is likely to have been some increase in vacancies at the end of March 2020, as lettings would have stopped even though offers had been made and properties ready to let. There was also a substantial increase in April alone, where around three-quarters of properties becoming vacant were not re-let, even though the rate of terminations had halved.

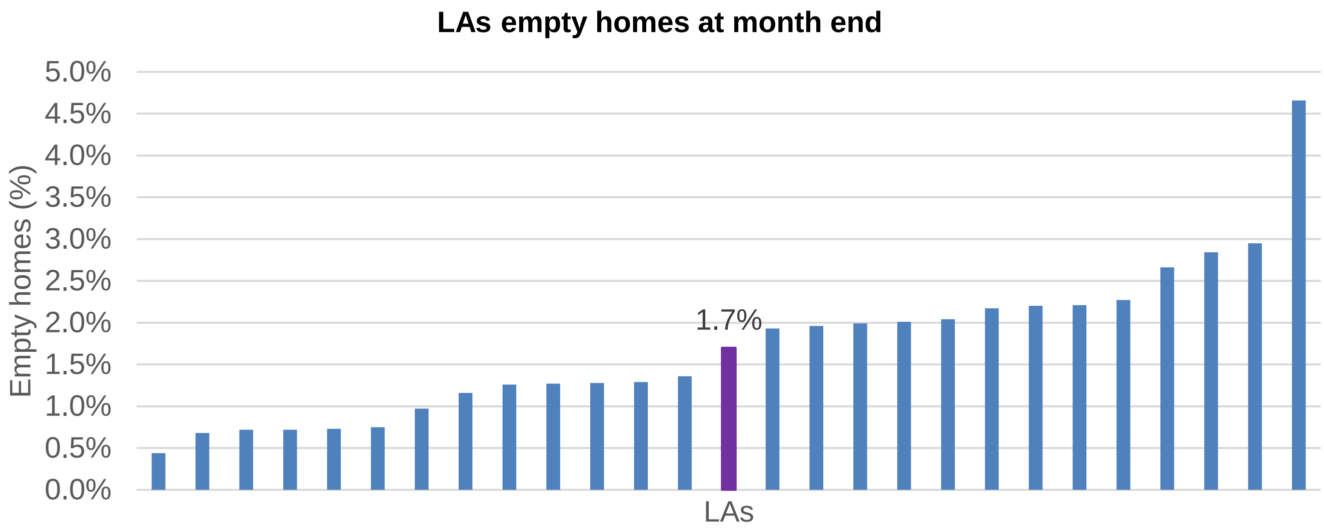


Source: SHN

The variation across landlords is shown below, with medians in purple. This includes 14 smaller RSLs that report no voids at the end of March 2021, and six specialist RSLs reporting higher than 3%.

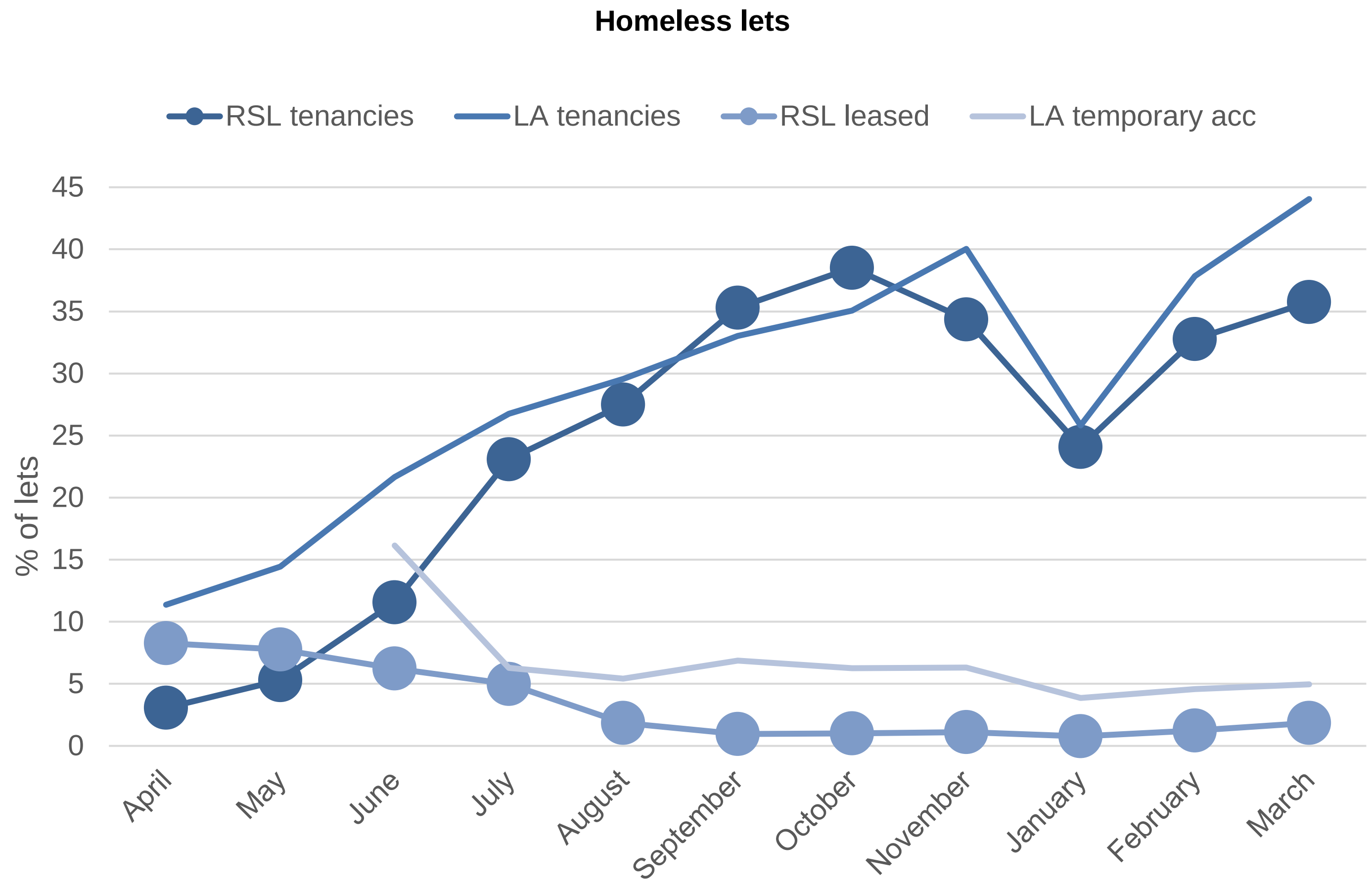


Source: SHN



Source: SHN

The information collected for the monthly returns changed from early on, with only limited data at first. The chart shows the lets to homeless applicants, combining both SSSTs (which were a small proportion) and SSTs, as well as empty RSL properties being used to accommodate the increase in numbers in temporary accommodation, and LA properties from June. It is likely that large numbers of LA properties were used for temporary accommodation in April and May but there is no data to confirm this.



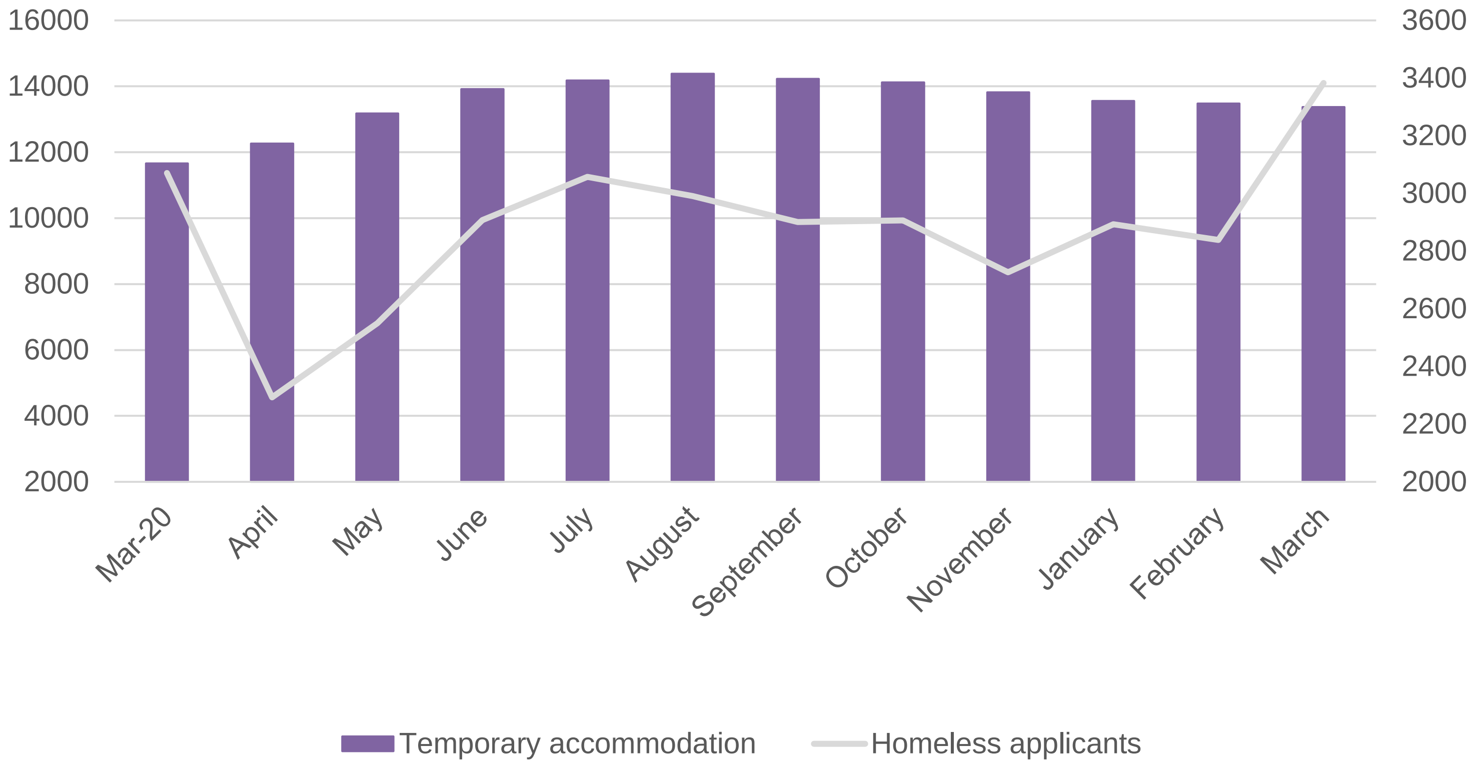
Source: SHN

One of the more obvious impacts of the pandemic was in the number of homeless people in temporary accommodation. The chart below shows the early increase in the pandemic in the number of households, but also the number of new applications, (with the 2019-20 total divided by 12 to give a rough monthly average). The number of homeless applications did not increase early on, but because there were restrictions on the supply of vacant houses and re-letting them, the numbers in temporary accommodation increased.

The number in temporary accommodation shows a slight fall in recent months but due to the lack of year-end data for City of Edinburgh Council, January's figure was extrapolated for February and March for their homeless applications. This would suggest that recovery back to the level of earlier years will be a long process and will be very dependent on tenancy turnover increasing from the low level experienced during the first year of the pandemic, with perhaps around 10,000 fewer vacancies than the year before.

The number of households not being offered temporary accommodation over the year was 376 (excluding any additional Edinburgh cases from January 2021), just under 1% of offers made. The only councils in this category were Aberdeen (4), Fife (4), Glasgow (47), and Edinburgh (321). Around one in six offers were refused, higher than the 10% figure for 2018-19, the last data available from previous years.

Homelessness applicants and temporary accommodation

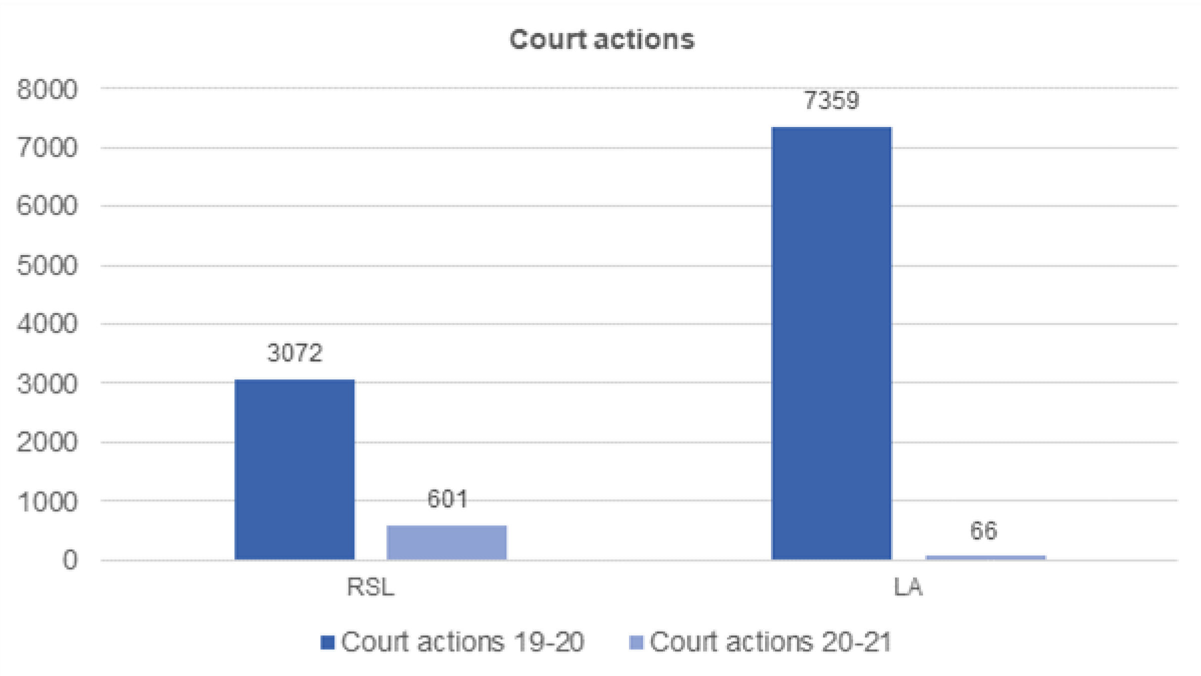


Source: SHN

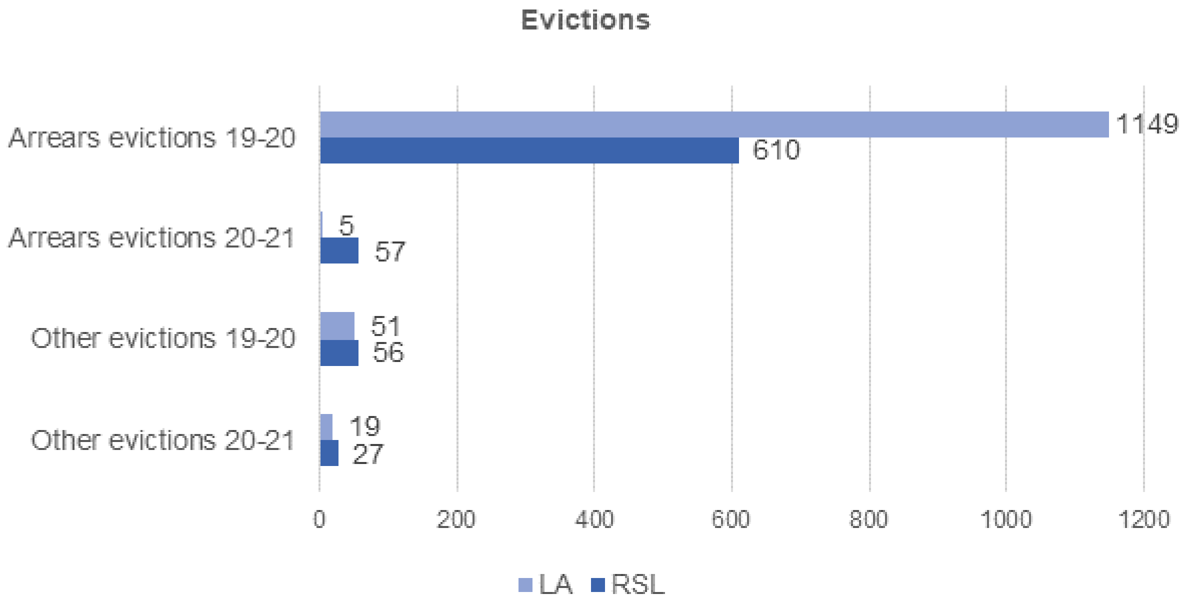
Section 3: Legal action

In response to the pandemic, the Scottish Government brought in emergency legislation[4] to extend the notice periods private and social rented landlords had to give before raising action in court. From 7 April 2020 notice periods were extended to 6 months for rent arrears cases and 3 months for anti-social behaviour cases to prevent movement of households and homelessness and reduce spread of the virus. In October 2020, the notice period relating to antisocial behaviour and criminality reverted to their pre-pandemic timescale of 28 days' notice. Due to the public health crisis at the height of the pandemic a ban on execution of decrees granted was introduced on 22 January 2021, in areas subject to level 3 and 4 restrictions. This meant that landlords could not remove a tenant where it had obtained an eviction order from the Sheriff Court or First-tier Tribunal, until such times as the restrictions were eased to level 2 or below. The SFHA released a new report in June 2021 which details the process for evictions in the social housing sector and highlights the work that RSLs carry out to help tenants to remain in their homes.

Data on legal action was not collected by SHR until June 2020, but there was almost certainly very little activity during April and May. It is difficult to compare the volume in 2020-21 compared to previous years, as the change is so marked.



[4] https://www.gov.scot/publications/proposed-extension-coronavirus-scotland-act-2020-coronavirus-scotland-no-2-act-2020-statement-reasons/pages/5/



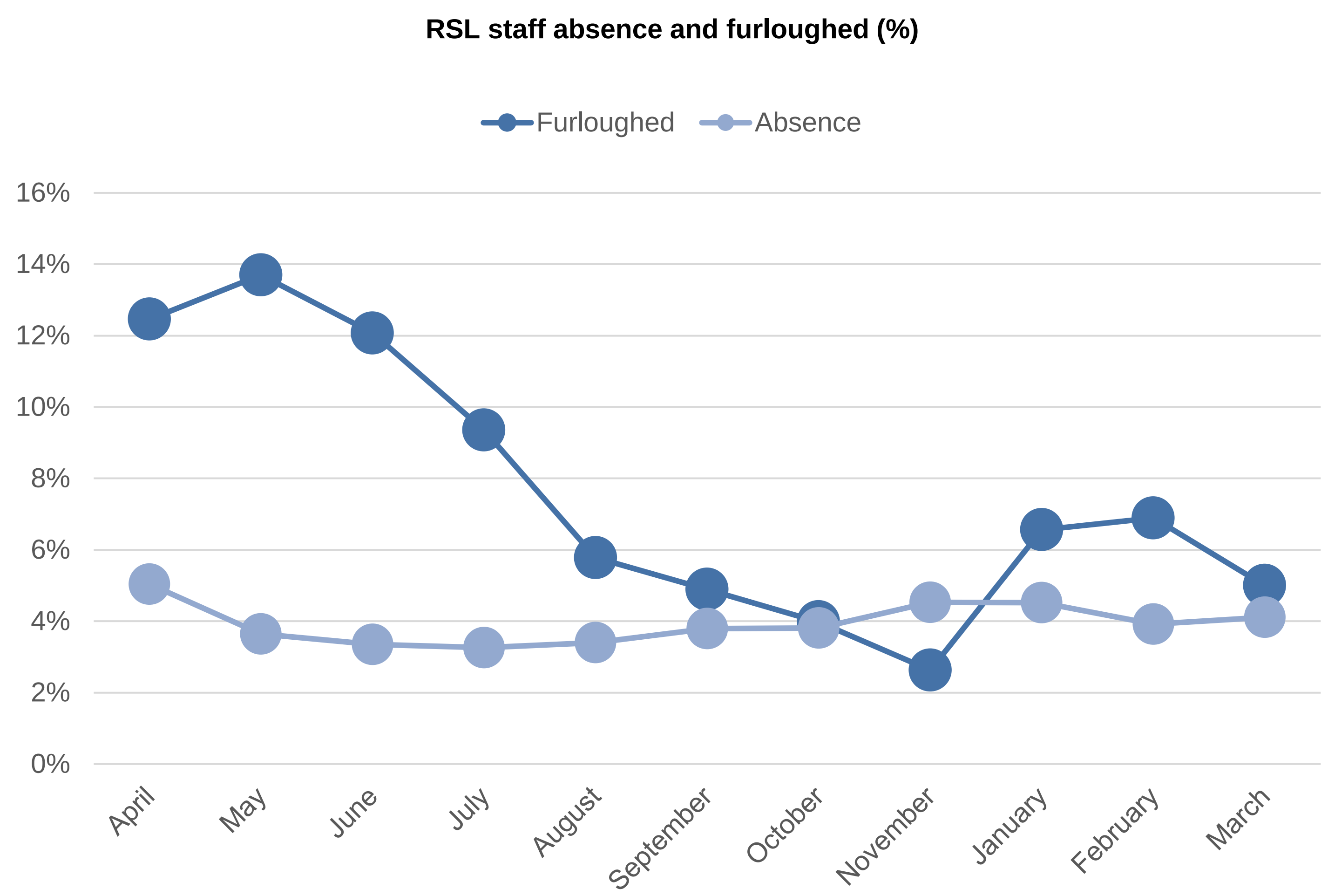
Section 4: Staffing

From the monthly returns submitted to SHR, data was collected to monitor levels of staff absence and the number of staff furloughed as landlords used the provisions of the UK Government's Job Retention Scheme.[5]

Staff absence was generally lower than the 2019-20 average of 4.3%. However, this average is calculated differently compared with 2020-21 because the SHR COVID-19 data is calculated as a weighted average using the number of staff absent, while the ARC data is unweighted, simply averaging the absence rates across all RSLs.

In Scotland, during 2020-21, thirty-six RSLs had at least a quarter of their staff furloughed at some point over the year, while 48 mostly small RSLs (under 500 units) had no staff furloughed at any point.

[5]https://www.gov.uk/government/publications/changes-to-the-coronavirus-job-retention-scheme


RSL staff absence and furloughed (%)
Furloughed
Absence
16%
14%
12%
10%
8%
6%
4%
2%
0%
April
May
June
July
August
September
October
November
January
February
March

Source: SHN

Section 5: Early analysis of 2020-21 sector performance in Scotland

SHN has produced an early analysis of data available from the 2020-21 Annual Returns on the Charter (ARC) submitted to SHR. This indicates that performance has been affected widely across the Charter outcomes. Information provided covers 500,000 properties, for over 100 landlords.

Property services

The number of repairs carried out has dropped substantially, by around one fifth. More emergency repairs have been completed compared to last year, but non-emergency repairs completed are down by a third. Anecdotal evidence suggests the higher number of emergencies may be due to a combination of several factors: more breakdowns due to longer time spent in the house owing to school and work closures, preventative non-emergency work not being done, thereby resulting in an emergency, and some re-classification, e.g., 'no hot water' may previously have been considered urgent, but hygiene requirements now make this essential.

Spending on adaptations is down by just under 50%, more so for councils than RSLs, with a larger waiting list than the previous year. This has a significant impact on the lives of both individual tenants and their families; therefore, this is a matter that needs priority consideration in the sector's road to recovery.

Landlords have reported delays to capital work on the Energy Efficiency Standard in Social Housing (EESSH) and Scottish Housing Quality (SHQS) Standard, and there are known delays to the Affordable Housing Supply Programme for new builds, as well as the increased number of empty homes. Together with the outstanding repairs and adaptations, there are likely to be substantial pressures on landlords to prioritise their available resources to carry out their property services functions during 2021-22.

Lets

Fuller detail on categories of lets shows that, overall, there were fewer lets to all categories (housing list applicants, existing tenants, and homeless applicants). RSLs did increase the number of lets to homeless applicants, but not sufficiently to offset the decrease for councils. Housing list applicants were relatively more affected by the fall in lets. The number of mutual exchanges halved.

Anti-social behaviour

There was a big increase in the number of anti-social behaviour cases reported. This provides further evidence on the already well-documented social impacts of the pandemic and the associated restrictions.

Service complaints

In contrast, there were markedly fewer complaints made about services. Whether this was due to offices being closed, fewer services provided, or a reluctance to complain during a pandemic is not clear.

Housing Benefit and Universal Credit direct payments

Although the long-term trend has been for a fall in the number and value of direct rent payments, an increase would probably have been expected, given higher unemployment and lower incomes due to the pandemic. However, for councils there has been a wide range of experiences, some seeing an increase while others have had a drop. The information available for RSLs suggests that most have seen an increase in the number of tenants with direct payments. Part of the explanation for lower numbers will be due to the lower tenancy turnover, with fewer tenancy starts during the year.

Rent Increases

Rent increases are around 50% of the 2019-20 rate; while this will have a positive impact on affordability for many tenants it may also bring some risks to the business plans of some social landlords.

In April 2021, SFHA published a paper setting out the processes, considerations and questions faced by housing associations in relation to rents, both generally and in the context of the ongoing coronavirus crisis.

PART TWO

SFHA's Universal Credit Survey April 2020 to March 2021

Prior to the pandemic, SFHA surveyed its members monthly about the impact of Universal Credit rollout on arrears. In April 2020, it added additional questions to the survey to collect data about the impact of the COVID-19 pandemic. The relevant results from those surveys are presented here on a quarterly basis.

Quarter 1 Survey Results (April 2020 - June 2020)

Since the national lockdown in March, advice had primarily been delivered via telephone, email and text alongside videocalls, letters, websites and social media. Special arrangements had also been put in place during this period including new coding systems, telephone support and referrals or signposting to other organisations. In addition to highlighting the general increase in the number of new Universal Credit cases during the pandemic, particularly in April 2020, the additional support required to assist new claimants was also cited by several of the respondents:

"Tenants who previously have had no need to apply for assistance are now having to access UC and they need support and advice from HAs"

Issues around supporting tenants who were vulnerable or not computer literate due to the closure of offices and suspension of face-to-face advice services had also been raised:

"Tenants who do not have I.T. skills and digital access are finding it very difficult to manage their claims. We have been unable to conduct home visits to discuss claims and offer support face to face with journals. Staff have been unable to assist tenants to make and manage online claims or UC in person. This can be a very difficult process for a tenant to understand by telephone contact."

"Tenants in their 50s and 60s, who did not learn about computers in school, and have a job where computer skills aren't required, have been significantly impacted by the need to claim UC, particularly since the normal educational support services and public IT systems are unavailable. It is virtually impossible for a computer illiterate, suddenly unemployed person, who doesn't even own a smartphone to apply for UC online during a lockdown."

There were some conflicting reports in terms of experiences with the DWP with some respondents reporting positive experiences while others had been frustrated at the lack of communication and difficulties in getting in touch with DWP staff:

"I think the DWP have handled the overload in new claims very well and have yet to hear anything negative about the claim experience."

"At a time when there was an influx of new claims, the DWP decided to cut the number of staff taking phone calls to call claimants themselves. This caused a great deal of stress for new claimants who would be left on hold for up to half an hour before their call was suddenly dropped."

The additional funding and local support available to tenants was also welcomed however there was still general uncertainty and financial distress amongst tenants. Issues such as increased fuel and food bills were raised alongside concerns around future employment:

"Tenant incomes have dramatically reduced, and this is impacting all aspects of their lives…also the impact for their future as people presently furloughed believe they may be paid off when the Government stops supporting small businesses"

"We will expect many more to transfer to this benefit - especially when furlough stops, and as the recession impacts…. we can see there will be additional pressures on demand for more welfare advice and debt advice"

Quarter 2 Survey Results (July 2020-September 2020)

The general increase in the number of new Universal Credit claimants and additional support required for those who were unfamiliar with the process continued to have an impact on both service providers and their tenants. Some respondents reported that they expected this to continue going forward, highlighting concerns around redundancies when the furlough scheme ends:

"It is clear that this has been the single greatest event to happen where increased UC and welfare assistance has been required from our tenants."

"There are many more tenants experiencing financial hardship due to the Covid-19 pandemic and our welfare rights service is fully booked each week."

On the other hand, there were also some indications that the situation may be improving in some areas with reports of services being adapted to ensure that tenants were able to access welfare advice and support:

"Things are now settling down. We are still getting a higher-than-average number of tenants claiming UC for the first time, but as all our furloughed staff have returned to work, this is well under control. We have streamlined the process for referring tenants to welfare advice, and we are monitoring tenants' accounts more closely, so tenants are receiving a faster response when they start to get into difficulty. While tenants appear to be less tolerant of their neighbours, satisfaction with our services is at an all-time high."

Issues around first payments for new claimants, the 5 weeks wait, and general delays also continued to cause problems about budgeting:

"Many new UC claimants are not aware that they may receive little to no UC for their first payment due to final wage or final holiday pay etc. if having to leave work as a result of the outbreak."

"Difficulties have been noted in the delay of UC payments to both tenants and landlords. A lot of tenants have had to utilise the advance payments as they cannot wait 5 weeks for a payment, but this then further reduces their income moving forward. When in receipt of managed payments, it is difficult for landlords to manage rent payments when tenants are paid 5 weeks in arrears of claim date and landlords then need to wait an additional number of weeks until a bulk payment and schedule is sent to us. This can mean we wait up to 9 weeks for a UC payment and the information on payments we are expecting is not so readily available."

Providing remote support to tenants continued to present some challenges, particularly where tenants had limited IT skills and face to face support could not be provided. However, some organisations reported that the new methods of working had now become embedded, and that staff were still able to deliver services while working from home:

"As staff are working from home (majority of time) we are not on hand to help tenants with journal issues, help to report changes etc. This can be difficult to explain over the phone and often leads to delays for new tenants who do not follow this through on their own."

"We are currently using WhatsApp for tenants to send us screenshots of their journal as we can't see them in person. This lets us see if they are due a payment etc. Although again some tenants struggle with IT and have been unable to respond."

Difficulties in contacting DWP and accessing phonelines were also cited by several respondents with reports of 'inaccessibility' and some 'inconsistent answers' from DWP staff:

"Some tenants are still telling us they are having difficulty getting through to the helpline but it needs to be appreciated that UC is predominantly a digital benefit."

Relationships with local Jobcentres were also mentioned, highlighting both the positive and negative impact of closures on the delivery of services:

"Local Jobcentre Plus escalations have been a considerably positive help while we have not had much footfall in the offices. Our concern is that as they open up, they will be able to help us less with vulnerable claimant enquiries."

"As they aren't able to visit Job Centres, they are finding it harder to receive assistance."

Quarter 3 Survey Results (October 2020-December 2020)

Between October and December there were mixed reports of the impacts on service delivery with some respondents reporting limited impacts due to the shift to remote services and other support mechanisms being available (e.g., support from DWP, signposting to other services). Others reported reduced capacity due to staff working patterns and changes in workloads for roles which have an impact on wider services.

"We are still delivering the same service - advising tenants to contact external agencies as we do not have welfare advisors inhouse"

"By default, Housing Officers are becoming rent collection officers due to the changes and have less time devoted to other aspects of housing management."

"Staff who have children in school or nursery require to do flexible hours due to childcare and this has a knock-on effect on being able to manage their role and collection of rents etc. But the demand from customers remains the same so it is very hard to balance."

In terms of the demand for support, respondents continue to report increases in the number of new Universal Credit claimants and link this to redundancies and reductions in income. Staff were therefore assisting customers who may be unfamiliar with benefit processes like Universal Credit and other welfare support:

"We have seen our UC cases more than double since this time last year. We have more tenants in arrears because of their move to UC and a greater demand on our welfare rights service."

There were also reports of the ongoing impacts for existing UC claimants and other tenants who were seeing their incomes reduce resulting in various budgeting difficulties:

"Tenants have been contacting for fuel / food assistance which we have been supporting via a hardship fund."

The restrictions on face-to-face appointments continued to present challenges both in supporting new Universal Credit claimants and providing general support for all tenants. As highlighted throughout the pandemic, it is particularly difficult for staff to support tenants with limited IT skills or those who do not have access to digital technologies. Although there has been a shift to alternative types of support which have now become commonplace, this was found to be more time consuming and less effective than face to face support:

"We are visiting tenants but with COVID restrictions it can be difficult to have discussions with some tenants and assist those tenants with their journals and issues they have, especially with vulnerable tenants"

"Where a tenant needs assistance to fill up a claim this either has to be done by telephone or video chat because we cannot visit tenants in their homes. Sometimes it is difficult to assist those who are not computer literate or do not have access to the internet or email addresses."

During December, there were reports of pressures which were attributed to the Christmas period with tenants struggling financially and increased use of food banks or food vouchers:

"Christmas was hard for people this year with a lot of pressure and we had new tenants in November who used their advance payment and first payment of rent for Christmas (they told us this). They have ended up in arrears as a result."

"Food bank provision greatly increased due to the time of year, tenants struggling financially to heat the home and put food on the table. We had a few local community resilience groups providing food parcels to tenants/community."

Quarter 4 Survey Results (Jan 2021-March 2021)

The pandemic continued to have an impact on service delivery due to the reported increases in tenants seeking welfare advice combined with the shift to remote working. While restrictions had now been in place for almost one year and some respondents reported having adapted well, there were still clear challenges in providing support to tenants while staff remained working from home.

Survey respondents continued to report increases in the number of new Universal Credit claimants following changes in employment and income. This included tenants who may be unfamiliar with the benefit processes and required additional support with their claims. The complexities of Universal Credit, including the 5 weeks wait, also remained a challenge:

"Obviously the 5-week waiting period always causes problems. More so now because furloughed workers who have been surviving on a reduced income for several months have usually burned through any savings before they get the news that their job is gone, and don't have anything held back to cover those 5 weeks".

"Several tenants panic at the thought of being in rent arrears so the income staff will discuss their situation and try to reassure them. Our view is we will work with them throughout this and treat each tenant individually and assess each case individually. This is a stressful time for a lot of tenants who have never had to claim benefits before, and we don't want to add to it for them."

It continued to be particularly difficult for staff to support tenants with limited IT skills or those who do not have access to digital technologies. There were also more reports of increasing debts and financial worries amongst tenants.

Respondents were therefore also helping tenants with accessing additional funds including support for food and fuel bills:

"We are still making frequent referrals to outside agencies for funding and assistance with food/energy costs. Our Welfare Benefits Advisers are now operating a short waiting list due to the number of referrals. "

PART THREE

Trends in the UK

Section 1: Arrears

At the end of March 2020, data was already showing an increase of around 5% in arrears with average arrears as a percentage of the annual rent due rising to 2.99% compared to the 2.85% that would normally be expected at that time of year. This equated to an additional £33m of arrears UK-wide.

> *While it is it is difficult at this point to quantify, we are anticipating that income collection will be impacted significantly by COVID-19. In recent weeks we have experienced a significant increase in tenants claiming Universal Credit, indeed the weekly average in new cases has equated to a more than threefold increase in claims. Our focus over the past few weeks has been to support tenants who we know may be financially struggling due to the impact of the COVID-19 restrictions, to reassure them and to make sure that they are fully aware of how to get financial advice and assistance.*
> Annette Finnan, Head of Housing Services, South Lanarkshire Council

By April 2020, it was clear that the economic effects of the crisis would have a considerable and prolonged impact on arrears as unemployment levels looked set to rise further and the downturn in the economy took hold. At the start of lockdown, initial projections looked serious as tenants cancelled direct debits, stopped paying in cash and Universal Credit claims tripled. However, in early April landlords were already revising their short-term projections favourably based on more reassuring evidence in the form of payments. It is likely that the government's package of measures including the job retention scheme helped somewhat in the short term.

Notwithstanding this, arrears showed a sharp 10% increase on March. This meant that at the end of April, arrears in the sector were 15% higher than would normally be expected at that time of year.

At the end of the month, average arrears as a percentage of the annual rent due rose to 3.27% compared to the 2.99% reported in the previous month. This equated to an additional £84 million of arrears UK-wide since the end of March. Around 4 in 5 providers reported an increase in arrears over April and for a third, arrears rose by more than 20%.

> *We anticipated a rise in arrears rates in the first period of the year due to factors such as the timing of payments, but this month's 19.7% increase is higher than expected and we have seen a decrease in the proportion of rent due that has been collected, which has fallen to 98.4%.*
> *We have identified over 3,000 tenants potentially in need of our help at this time.*
> Andrew Mackie, Housing Manager – Tenancy Services, Aberdeenshire Council

At the end of quarter 1, landlords were closely watching their arrears. Reduced working hours and increasing unemployment was expected to have a long-term negative impact. The claimant count measure of unemployment had more than doubled[6] since March and further job losses continued to be announced in the media. The economic shock of the virus and associated lockdown had driven sector arrears up by almost 20% since the start of the pandemic[7]. June showed an additional increase of 2.9% since May, providing further evidence that the number of tenants falling into arrears continued to increase, albeit at a slower rate.

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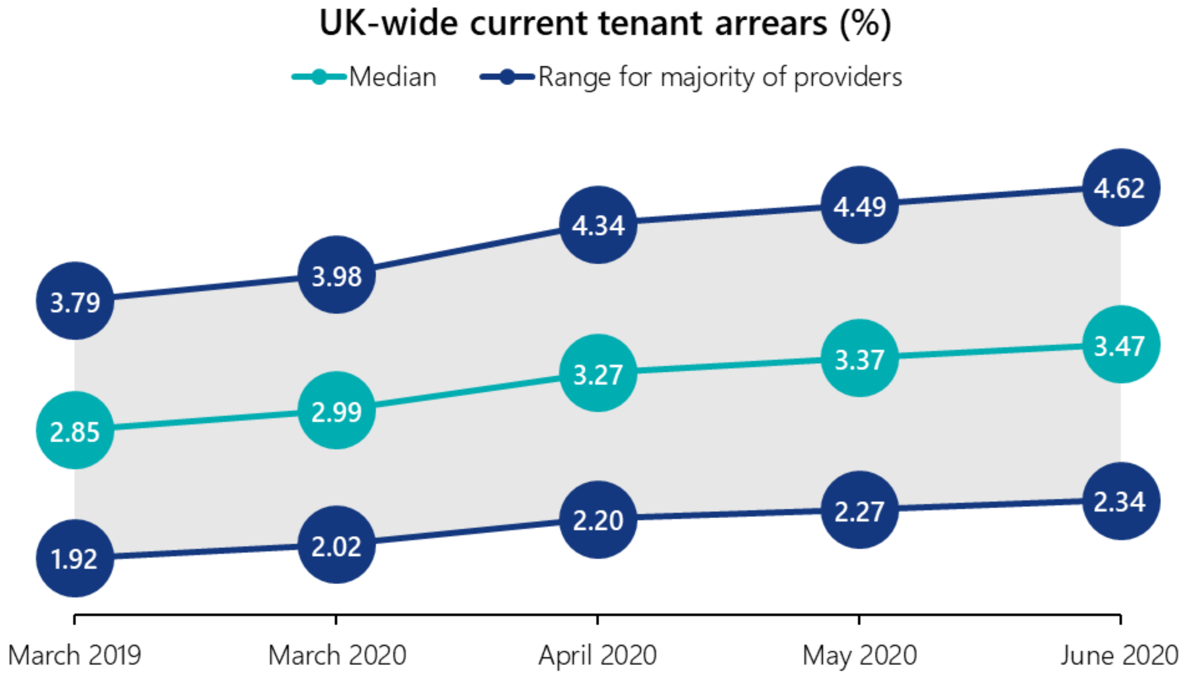
[6] https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/outofworkbenefits/timeseries/bcjd/unem

[7] Historically arrears always increase between year end and quarter 1 of the following year. Arrears are over 12% higher than they were at this point last year.



Source: Housemark

However, sector-wide figures masked a great deal of variation between landlords. Arrears rose by more than 10% over the month for one in five landlords while others reported a fall in arrears[8]. The effect was most keenly felt where the landlord had comparatively low proportions of directly paid housing benefit claimants and comparatively more tenants claiming Universal Credit (UC).

While high dependency on housing benefit payments had cushioned part of the impact, increasing levels of UC was putting additional pressure on income collection. Even though UC claims were being processed more quickly than expected[9], the minimum five-week wait for payment contributed to arrears build up for millions of new claimants.

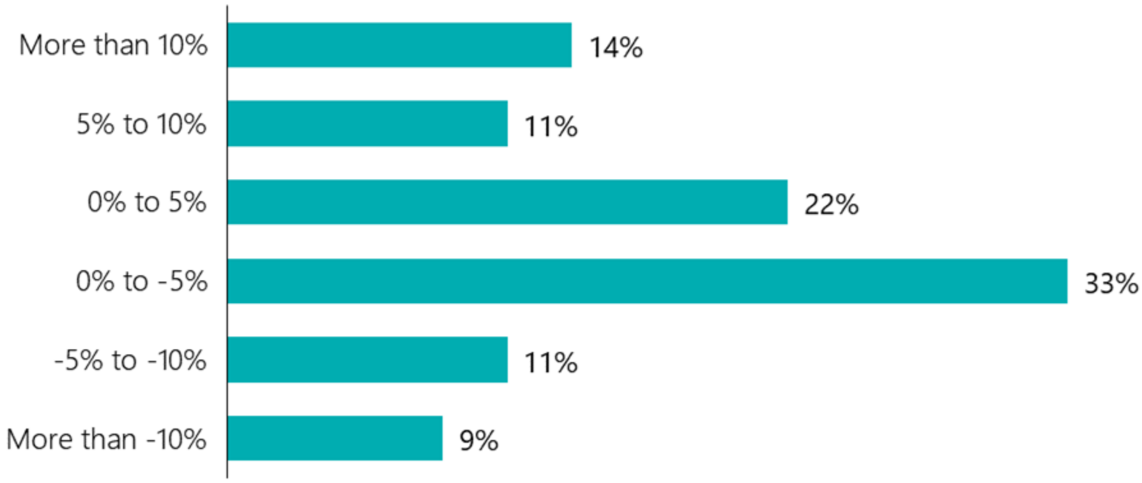
Following the sharp increase in arrears experienced over the first financial quarter of the year, the three months to September represented a period of relative stability. Sector-wide, current tenant arrears fell only marginally over September bringing the median figure to 3.49%.

In October sector-wide arrears remained stable, however at an individual landlord level there had been a great deal of variation. Arrears increased for almost half of landlords over September and for 1 in 7 the increase was larger than 10%. Despite these increases, there were landlords who had managed to keep arrears within targets set in March 2020.

[8] The timing of benefit payments is likely to produce large variation between months for many landlords however, when month on month figures are smoothed, we found a similar trend.

[9] https://www.housing.org.uk/resources/research-report-on-the-claimant-experience-of-universal-credit--and-how-to-improve-it/

Change in UK-wide current tenant arrears for individual landlords



Source: Housemark

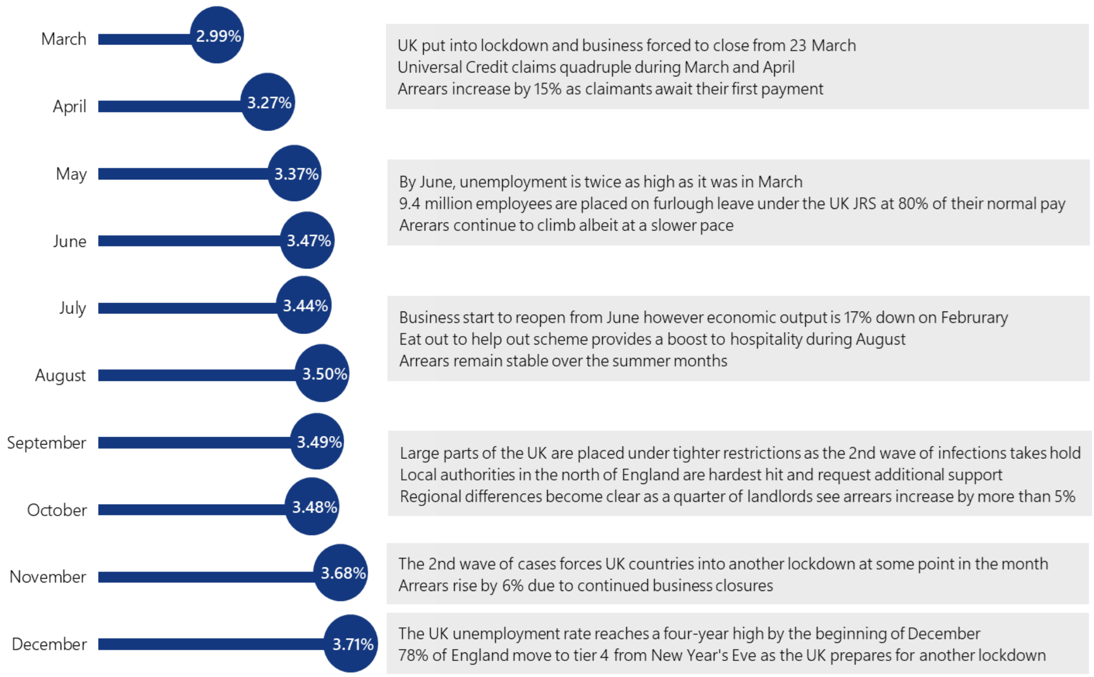
By 31 December, at the end of quarter 3, sector arrears had reached a record high, with more than £1 billion outstanding in arrears. Housemark provided exclusive data to ITV National News, who highlighted this important issue for both tenants and landlords. This represented a global increase of around 30%, which equated to an additional £300 million since March 2020. There was a clear link between lockdowns and arrears – increased restrictions resulted in higher arrears. With around 40% of Universal Credit claimants in paid employment,[10] lockdown-led economic slowdowns meant less work and lower income for many people in social housing.

As well as reduced income, the pandemic was costing more for many people on already low incomes[11]. Lockdown restrictions saw an increase in universal costs such as heating and food. This was set to increase further during the January lockdown as closed schools meant home-schooling parents needed to provide stationery, print worksheets and provide access to electronic devices so that children could continue to learn and develop.

Over the course of 2020, these economic realities connected the pandemic to arrears levels. At each point in time of increased restrictions there was very quickly a rise in arrears levels. The use of planned rent-free weeks by many landlords in December mitigated the worst effects of arrears rises.

[10] https://stat-xplore.dwp.gov.uk/ All UC claimants October 2020
[11] https://www.resolutionfoundation.org/publications/pandemic-pressures/

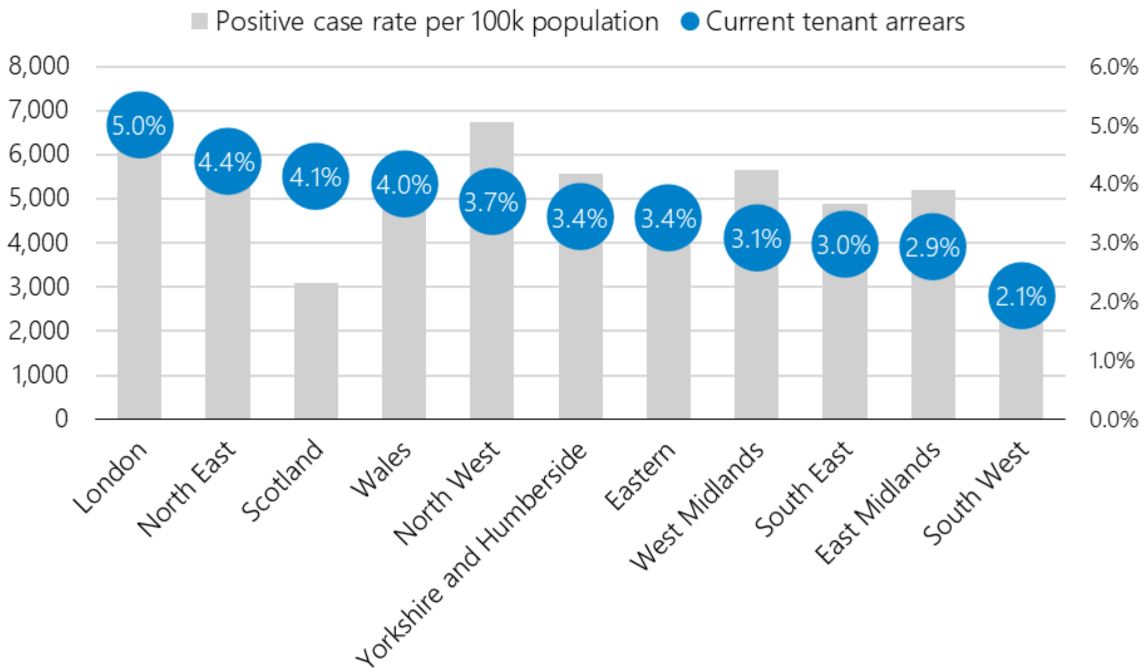
UK-wide current tenant arrears trend during 2020



Source: Housemark

In the same way that pandemic restrictions have disproportionately affected people on low incomes, the varied geographical pattern of restrictions through the autumn led to some landlords experiencing long periods of limited economic activity as many parts of northern England were placed in higher tiers from September onwards. This resulted in longer periods of increased arrears as economic hardship led to tenants missing rent payments. At this point in time, **Scotland** had the third highest rate of current rent arrears.

Arrears and COVID-19 trends across the UK (December 2020)



Source: Housemark

The pattern linking arrears levels to COVID cases is mixed. Economic restrictions were lighter for longest in SW England, which coincided with low arrears levels. Scottish COVID case rates were like the SW, but arrears were, on average, double the proportion. This suggested that the link between restrictions and arrears was determined more by economic restrictions and historic debt than by the rate of COVID infections.

With data and anecdotal feedback, there were some key attributes[12] for landlords who had managed to stabilise arrears levels during the pandemic. These activities are a priority for landlords facing arrears challenges:

- **Data analysis** of tenants' payment behaviours – understanding trigger points for non-payment such as loss of work
- **Using insight** from other parts of the business and tenants themselves to offer tailored support and payment solutions
- **Regular contact** from housing management teams to build a trusting and supportive relationship
- **Publicising a firm but fair approach** to tackling debtors, even without the immediate threat of legal action

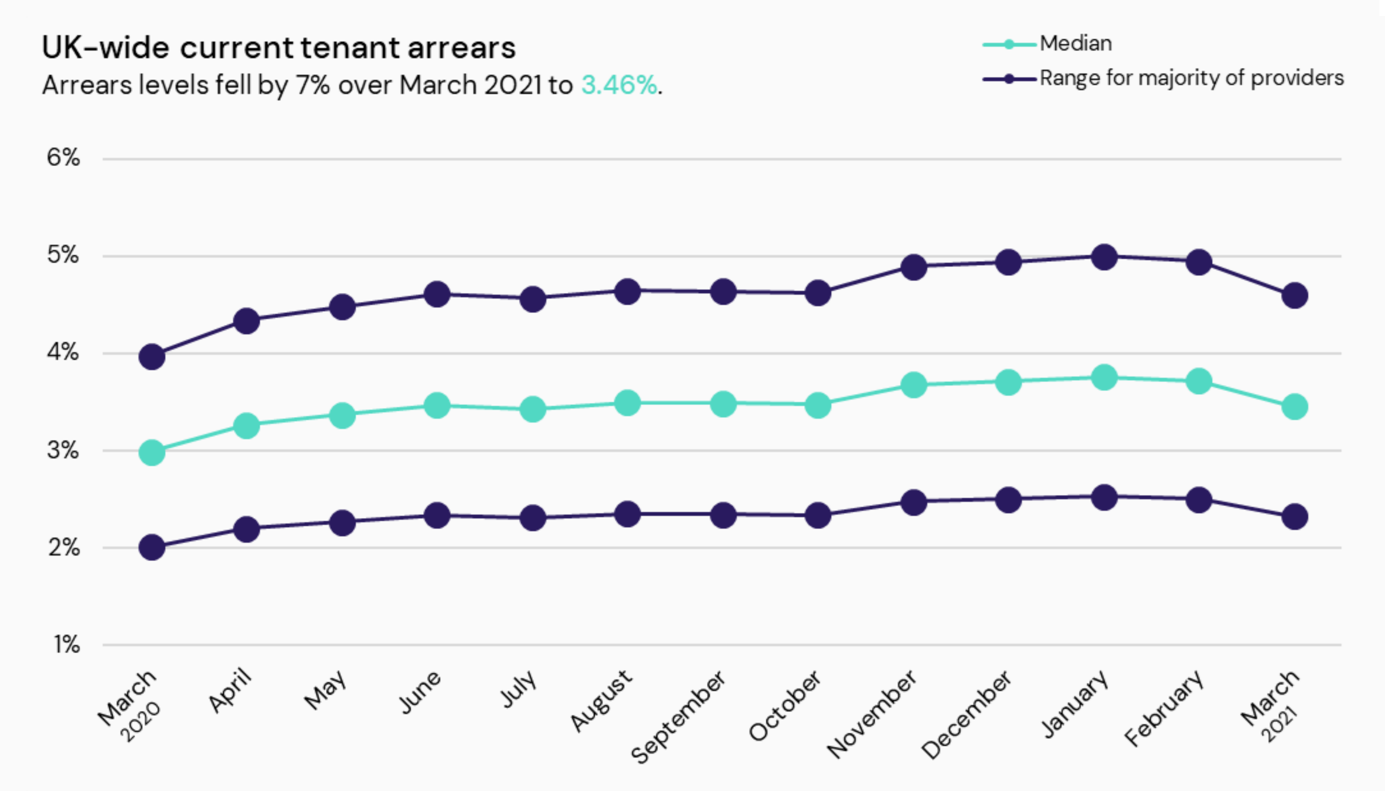
In the year to 31 March 2021, the sector's arrears balances had been subject to some unpredictable movements. In the early months of the pandemic, we saw unprecedented increases in rent arrears as large parts of the economy shut down for 2-3 months. Since July 2020, UK-wide arrears levels had been more stable, with moderate increases in months following increased restrictions.

Across the sector, in March 2021, there was a 7% reduction in rent arrears levels, which is the largest month-on-month reduction since March 2020.

The average current tenant arrears across the sector ended 2020/21 at 3.5% of rent due (excluding void loss). Given the work that finance teams do to balance accounts, year-end gives us the truest indication of the pandemic's effect on arrears – this analysis shows that a year punctuated by lockdown restrictions has added £127 million to sector arrears balances.

Around half the sector ended 2020/21 with better arrears balances than 2019/20. While the other half recorded increases in arrears during the year, many were modest and manageable, though we found a significant group – as many as 1 in 5 landlords – struggling with year-on-year increases of over 20%.

[12] As above



Source: Housemark - UK Arrears

Decreased arrears ↓

48%

of landlords have improved arrears levels since March 2020.

These organisations are more likely to employ specialist officers to manage income collection, rather than housing or neighbourhood officers.

They are also more likely to have fewer WTEs working on rent collection – suggesting that it is the efficiency of the team which is most important in recovering rents.

Increased arrears ↑

33%

of landlords are dealing with more manageable arrears increases, up to 20%.

The performance of these organisations is likely to depend on the level of contact they have with tenants and the quality of internal rent data.

19% are still struggling with high arrears.

These landlords reported lower levels of UC claimants in 2019/20. Landlords with more experience with UC were better equipped to support the influx of claims.

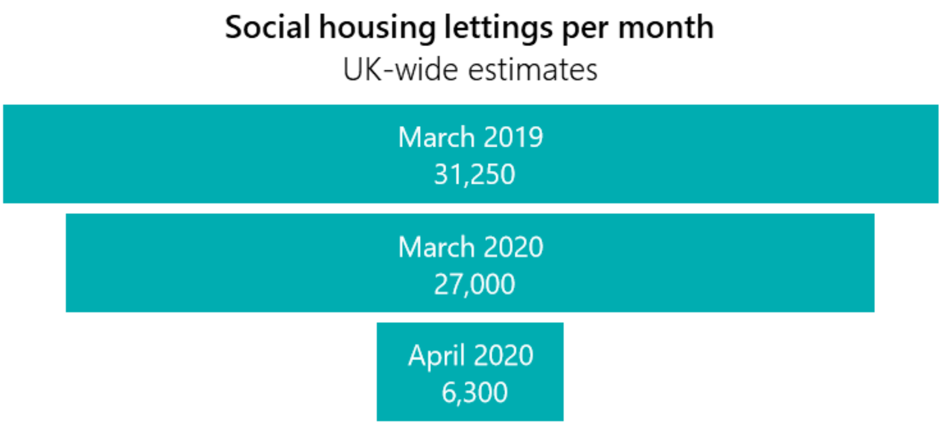
With arrears driven in significant part by the migration to Universal Credit, arrears pressures are not going to dissipate any time soon. Landlords across the sector will need to keep up the good work – engaging tenants, linking data and knowledge across teams, improving systems, and involving stakeholders to drive down arrears and sustain tenancies.

We have managed a significant improvement in arrears levels in the last 12 months, reducing gross rent arrears by 1.5% and current arrears by 1.18%.
We have achieved this result through the pandemic with a continual focus on pursuing rent arrears weekly, with a shift towards increased customer contact through text message and email. Our Financial Wellbeing Team has also stayed in regular contact to support customers electronically and over the telephone to maximise income.
The change to Universal Credit payments has had a positive impact on how we manage arrears for customers who are claiming the benefit. By receiving daily payments, our customers' accounts are more accurate with a reduction in technical arrears which were previously caused by how the benefit was administered.
This means we can have more up-front conversations about repayments and allows our customers to better understand the reasons why they have rent arrears. The process is also now more efficient for staff when determining a true arrears balance.
Elaine Cannon, Service Improvement Manager, River Clyde Homes

Section 2: Voids and lettings

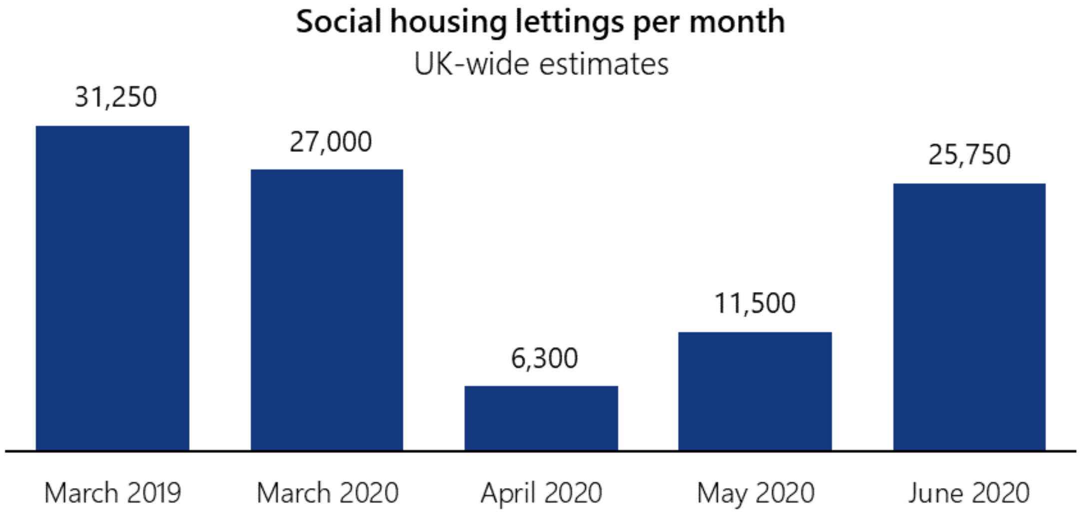
By the end of March 2020, figures were already showing an 11% drop in sign-ups compared to what would normally be expected, despite the month including only seven working days of lockdown.

At the start of the lockdown, landlords were taking different approaches to letting properties – a few strove to continue, many cut back, while others ceased lettings activities altogether. In many cases, landlords demonstrated great creativity in adapting their lettings processes with many reporting moving quickly to electronic sign-ups.   The effect on the social housing sector in April was huge as the number of lettings fell 77% compared to March. 1 in 6 landlords carried out no lettings at all in the month.



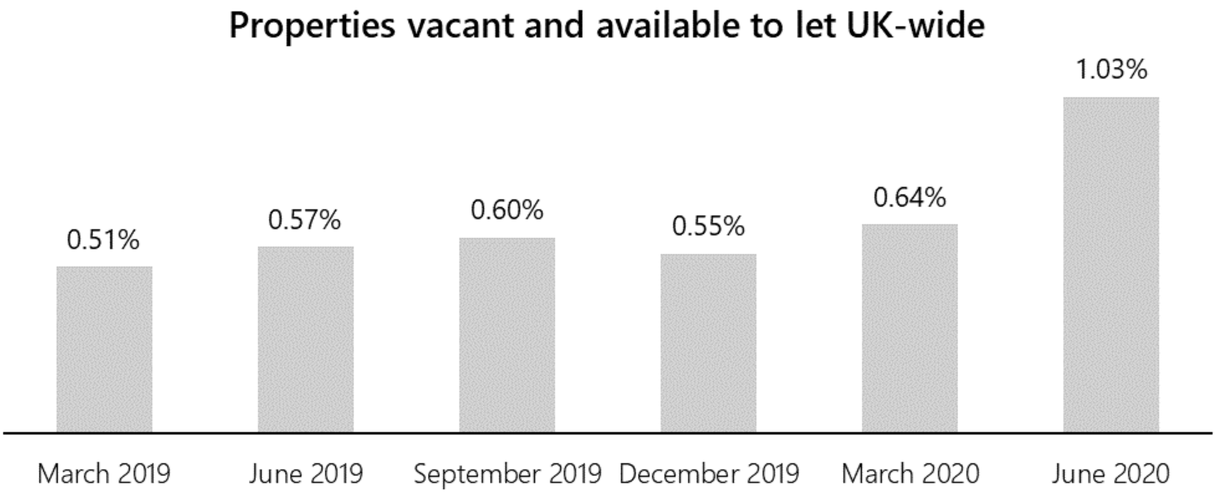
Across April and May 2020, lettings activity was only a quarter of what it would normally have been. Though lettings began to recover from the sharp decline in April, the dip in activity impacted sector income.

Looking at the first quarter of 2020/21, 54% fewer lettings were carried out than would have been under the old ‘normal’. Figures below compare the first quarter of 2020/21 with data from March 2019.



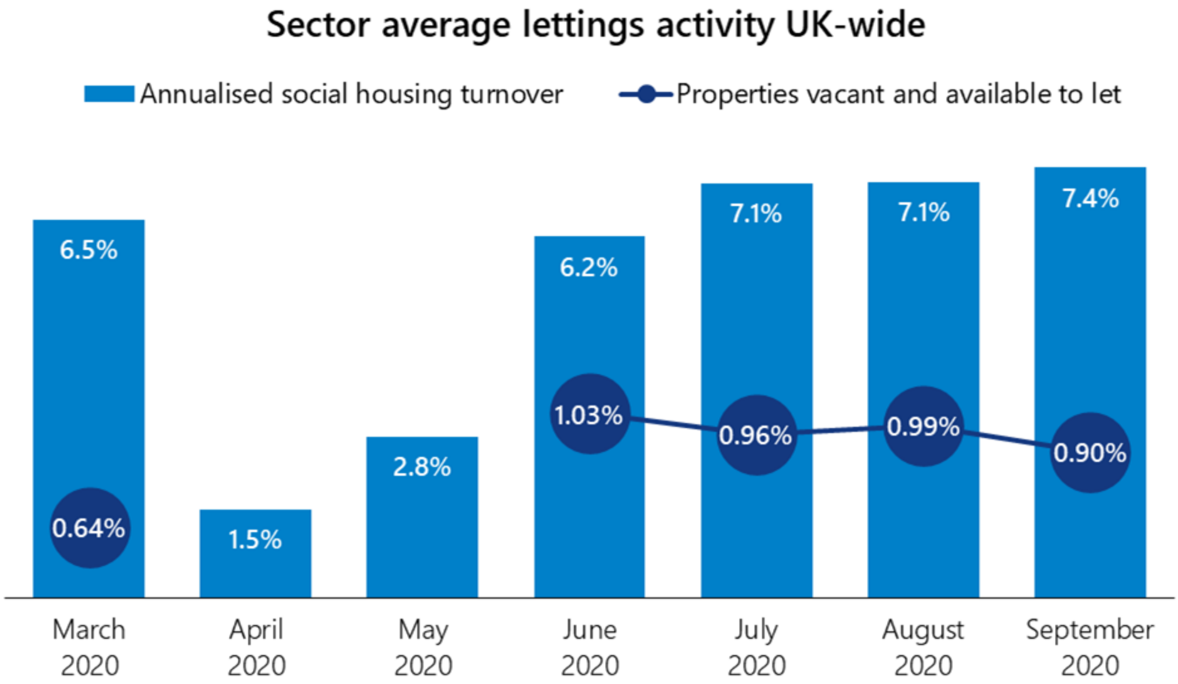
Source: Housemark

As a result of the pandemic, 25,500 additional properties across the sector were available to let but sitting vacant by the end of June 2020 – almost twice as many as the same point in 2019. In total, estimates were that just over 50,000 properties were vacant but available to let at the end of June. This equated to almost £5 million in lost income for every week these properties remained un-tenanted.



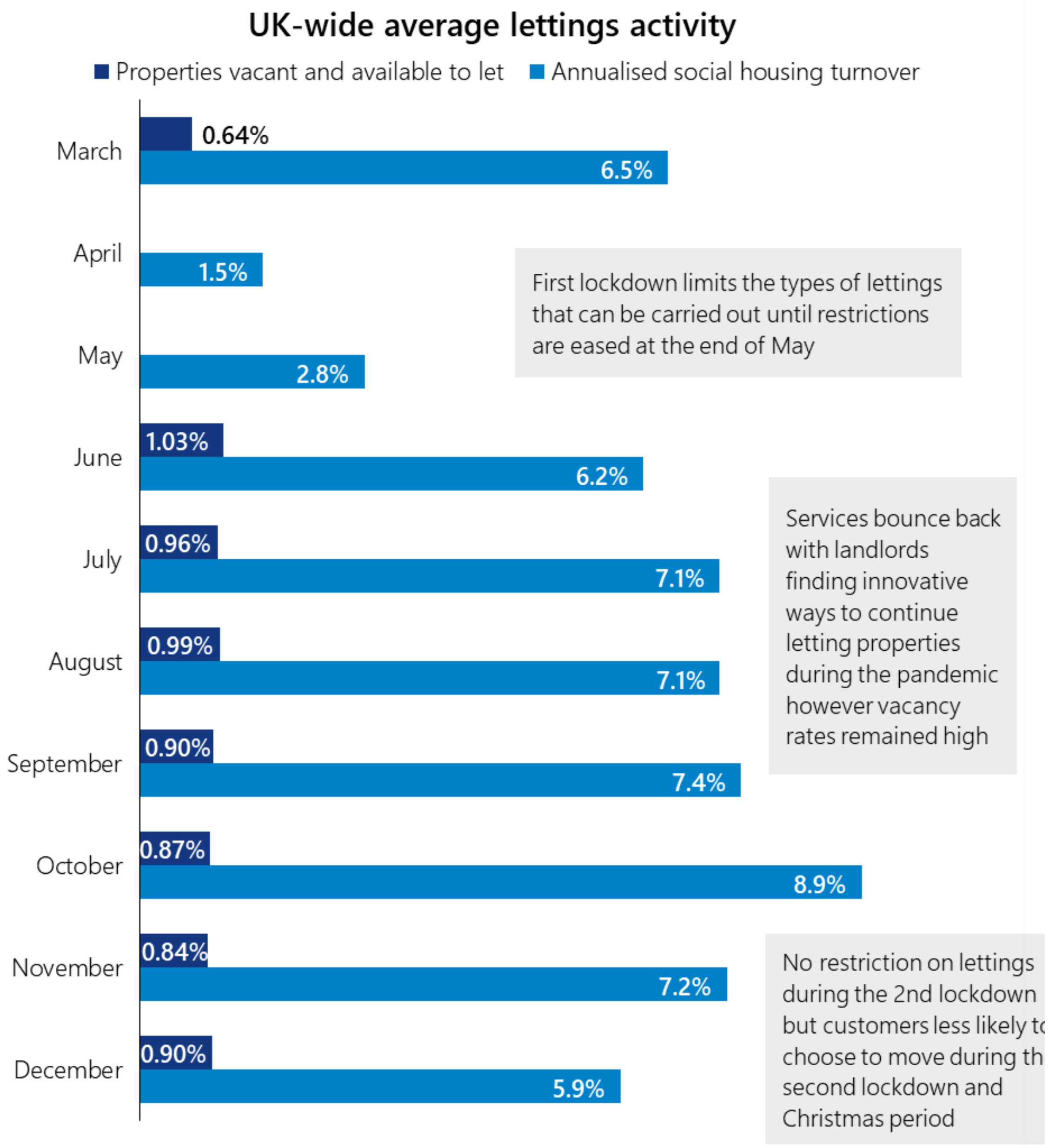
Source: Housemark

From June, lettings activity had gradually increased back to normal and this continued into September. The number of new lettings carried out by the sector increased by 3.4% over September which resulted in a small improvement in the number of vacant homes available to let across the sector.



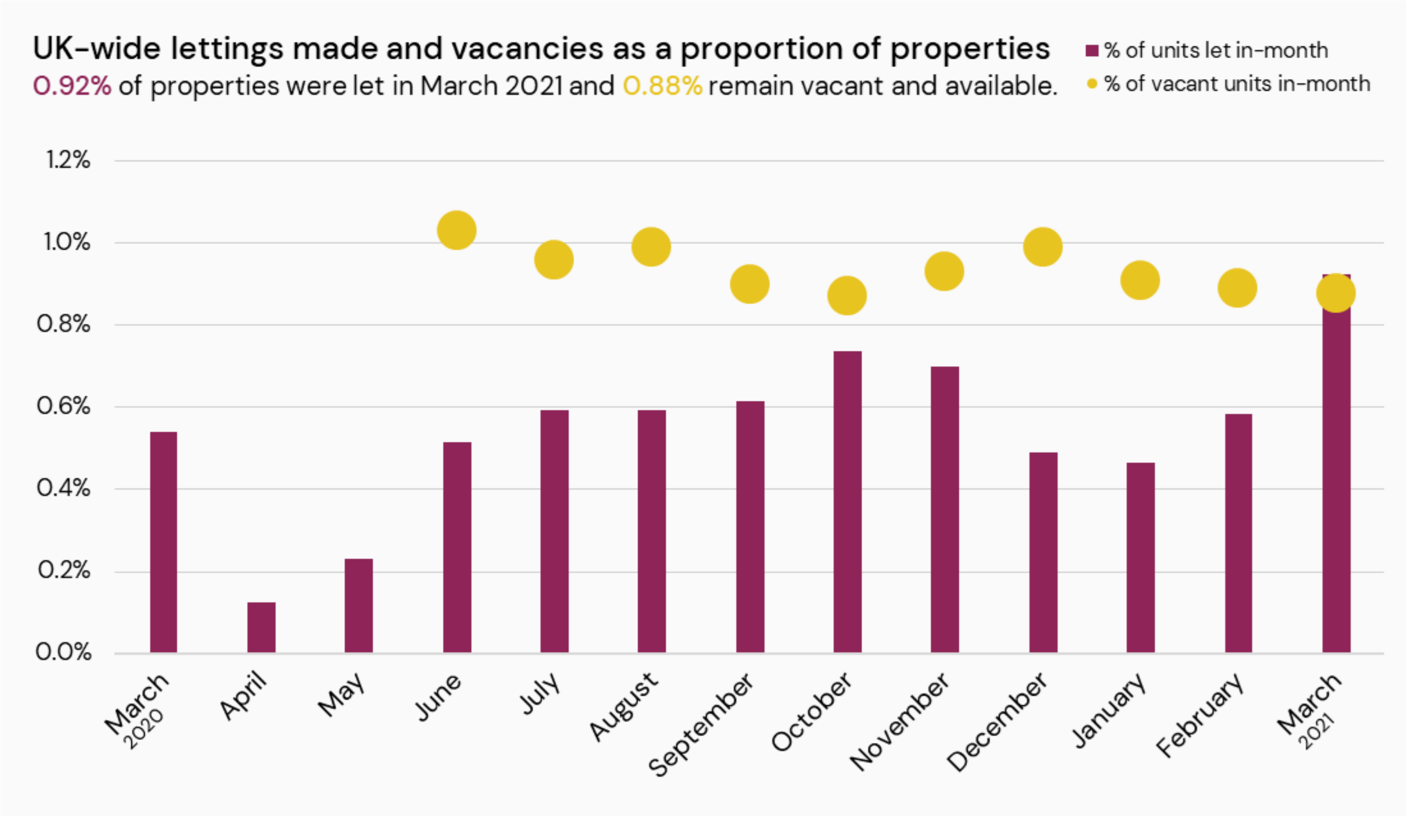
Source: Housemark

By June 2020, it was estimated that an additional 50,000 properties had become vacant, which was adding £5 million each week to the sector's void loss. However, the number of empty homes decreased from 0.99% at the end of August to 0.90% by the end of the September. Unlike the housing sales market's stamp duty holiday there had been no equivalent incentive in rented housing to help reduce vacancies. In 2020/21, this meant that social housing sector landlords would have to cover the estimated £30-40 million in lost income from empty homes from their own finances.



Source: Housemark

Between March 2020 and March 2021, the last year in lettings has been characterised by the significant disruption caused during the first lockdown, when house moves were restricted across the UK and virtually all lettings activity ceased. In the period since the first lockdown eased, the sector had been struggling to catch up. Twelve months on, vacancy rates remain high despite increases in sign-ups. Lettings activity for the average landlord will need to be higher than 'normal' for some months to come to clear the backlog.



Source: Housemark

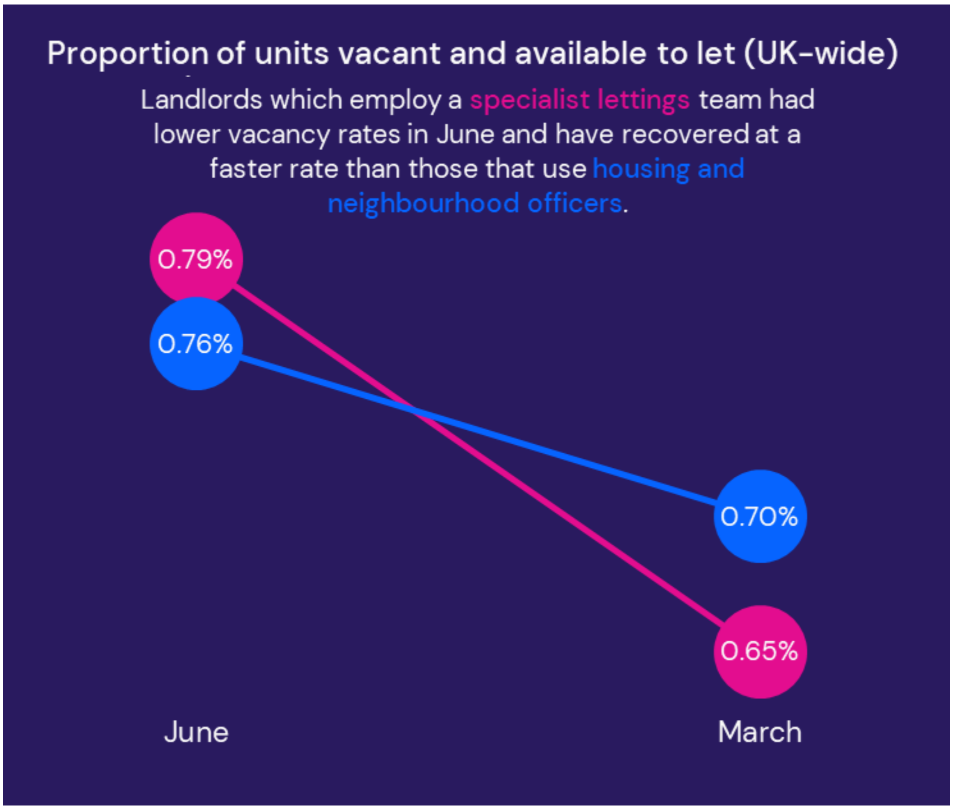
As a result of these persistent void properties, void loss was estimated at 19% higher across the sector in March 2021 than it was at the same point in 2020. This represents an estimated £27 million in lost income that, unlike arrears, landlords will not be able to claw back over time.

However, landlords are getting back on track. There have been significant increases in lettings rates since the start of 2021. After a lull around Christmas and New Year, lettings rose substantially – between February and March there was a 58% increase in the number of properties let to tenants. This was 54% higher than the equivalent figure in March 2020 and shows that around 46,000 tenants were willing to move home – helped by positive feelings about restrictions starting to ease and a vaccination programme surging ahead.

Given the increasing rates of lettings carried out since January, it is estimated that clearing the backlog of empty properties could take up to 12 months, on average,[13] to reduce to pre-pandemic norms. As well as re-letting properties, this also takes account of lets to new properties and conversions where the previous home was difficult to let.

Data evidenced that landlords employing specialist lettings teams had vacancy rates 7% lower (at year-end) than landlords using generic neighbourhood or housing officers for sign-ups. Specialist lettings teams were also more likely to see an improvement in vacancy rates since June, with an average drop of 18% between June and financial year-end.

[13] We estimate that there are currently 44,000 empty homes across the UK, around 10,000 more than pre-pandemic levels. After allowing for terminations, the Increased lettings rate we have recorded since the new year Is reducing this total by 500-1,000 units per month.



Source: Housemark

Furthermore, landlords operating a specialist housing management model (i.e., only specialists, no generic officers) had vacancy rates 28% lower than those operating a generic model and 8% lower than those using a mix of the two.

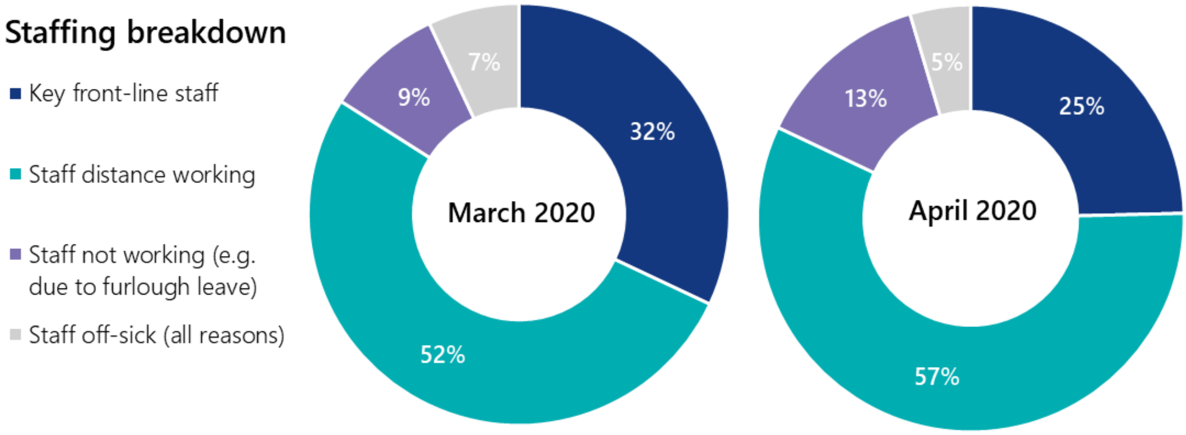
While both groups have improved vacancy rates, these results suggest that employing a team focused on specific lettings activities is helping landlords recover more quickly by filling empty properties.

Outside the structure of a team, landlords who have positive relationships with external partners, robust yet flexible systems and knowledgeable, motivated staff are better able to manage the increase in lettings and minimise vacancies.

Section 3: Staffing

In March 2020, social landlords were exceptionally quick to set up office-based staff to work from home and as a sector overall, social housing adapted well to remote working. Over 52% of sector staff (and two thirds of those still working) were working from home as of 31 March 2020. By the same date, a fifth of landlords had furloughed over 10% of their staff, with some landlords reporting as many as 27% on furlough. Landlords were also quick to redeploy staff as required, particularly engaging back-office staff to help with proactive welfare calls to tenants.

In April 2020, around one-fifth of social housing staff were absent from work – representing 27,000 employees sector wide.



Source: Housemark

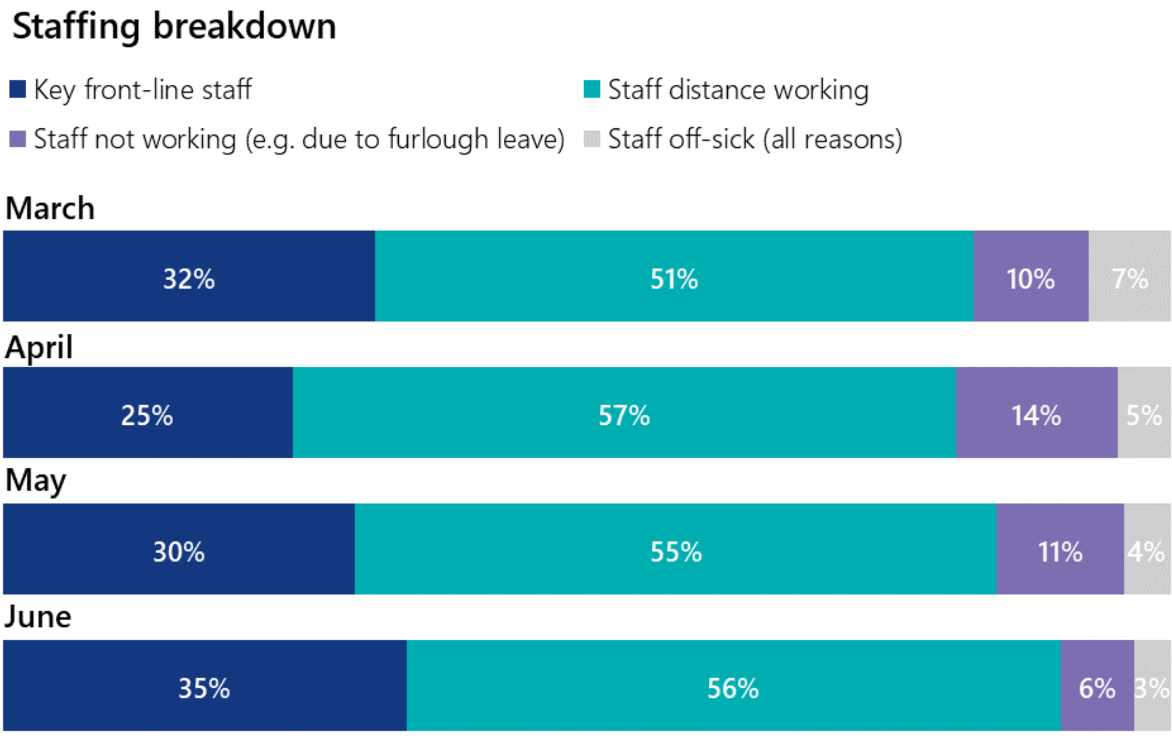
At the end of April 2020, 1 in 4 employees remained in necessary physical contact with other staff and tenants, which is an indication of the key work that the service delivers. Over 57% of sector staff - 70% of those working – were working from home at the end of April 2020. The overall number of staff on furlough or not working increased by 50% during the month bringing the total to around 20,000 employees nationwide.

By the end of April 2020, only 5% of staff were not working due to sickness. Almost 3 in 4 landlords recorded lower sickness absence rates in April compared to March.

Moving to the end of quarter 1 for 2020/21, at the end of June 2020, levels of staff not working remained slightly higher in the devolved nations where lockdown restrictions were being relaxed later than in England. The number of staff well, but not working (e.g., due to furlough) halved over June as 77% of landlords returned staff to work. As a result, the number of staff working in direct contact with tenants and other employees increased to 35%.

Growth in front-line staff returning to work was greatest for landlords operating a direct labour organisation (DLO). As full repairs services restarted across the sector, more operatives returned to work.

The proportion of landlords making use of the UK Government's job retention scheme had reduced from May, although over two thirds of landlords still reported that some staff were not working (e.g., due to furlough leave). 56% of staff were still distance working, despite a significant drive to restart services.



Source: Housemark

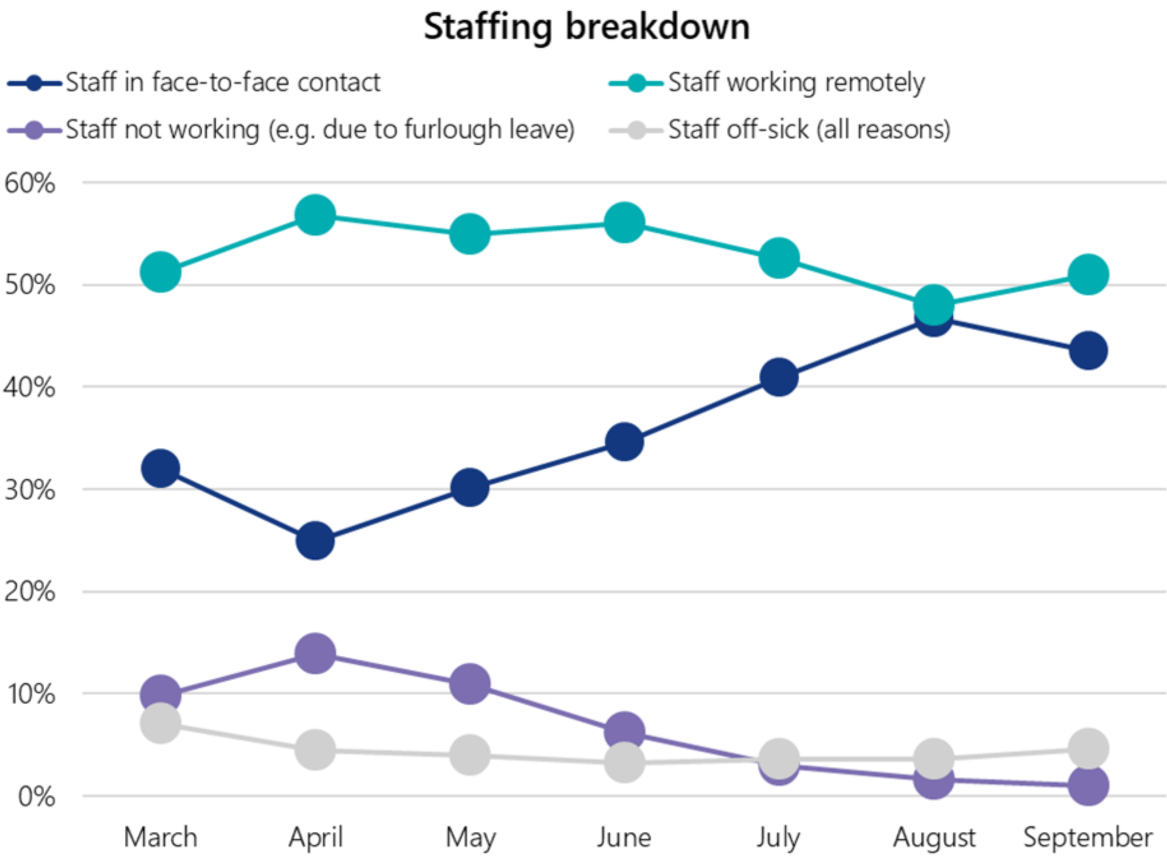
By the end of September 2020, or quarter 2, the changing situation due to rising Covid-19 infection rates meant that sickness rates had risen and face-to-face contact had reduced again compared with the summer months.

Since May, sickness levels amongst housing staff had been stable at 3-4% of all employees. However, in September this had risen to 5% or 1 in 20 employees. This meant that an additional 1,500 people across the sector were off sick at the end of September, compared to the end of August.

There were some links between local lockdowns and sickness rates. Landlords operating in areas with higher restrictions recorded sickness rates 0.7 percentage points higher than those in other areas. There were comparatively high sickness rates for landlords in the Midlands and NE of England. By contrast, landlords in the NW, London, **Scotland** and Wales had comparatively low sickness rates.

In addition to the risk of catching COVID-19, one participant highlighted concerns about mental health and well-being of staff contributing to increased sickness levels.

"As we have many staff continuing to work from home, one of the biggest risks is to the mental wellbeing of staff who may be feeling isolated and dreading the closing in of dark afternoon/evenings."



Source: Housemark

With the change in government advice in September, the balance between employees in face-to-face contact at work tipped back towards remote working, with over half the sector not coming in face-to-face contact with colleagues, tenants, or other stakeholders.

Traditionally, December in the workplace is a time for office parties, staff conferences and catching up with colleagues. With many organisations shutting down non-essential services and offices or people taking leave over the Christmas period, it is a month where many services are covered by skeleton staff and sickness levels are harder to monitor.

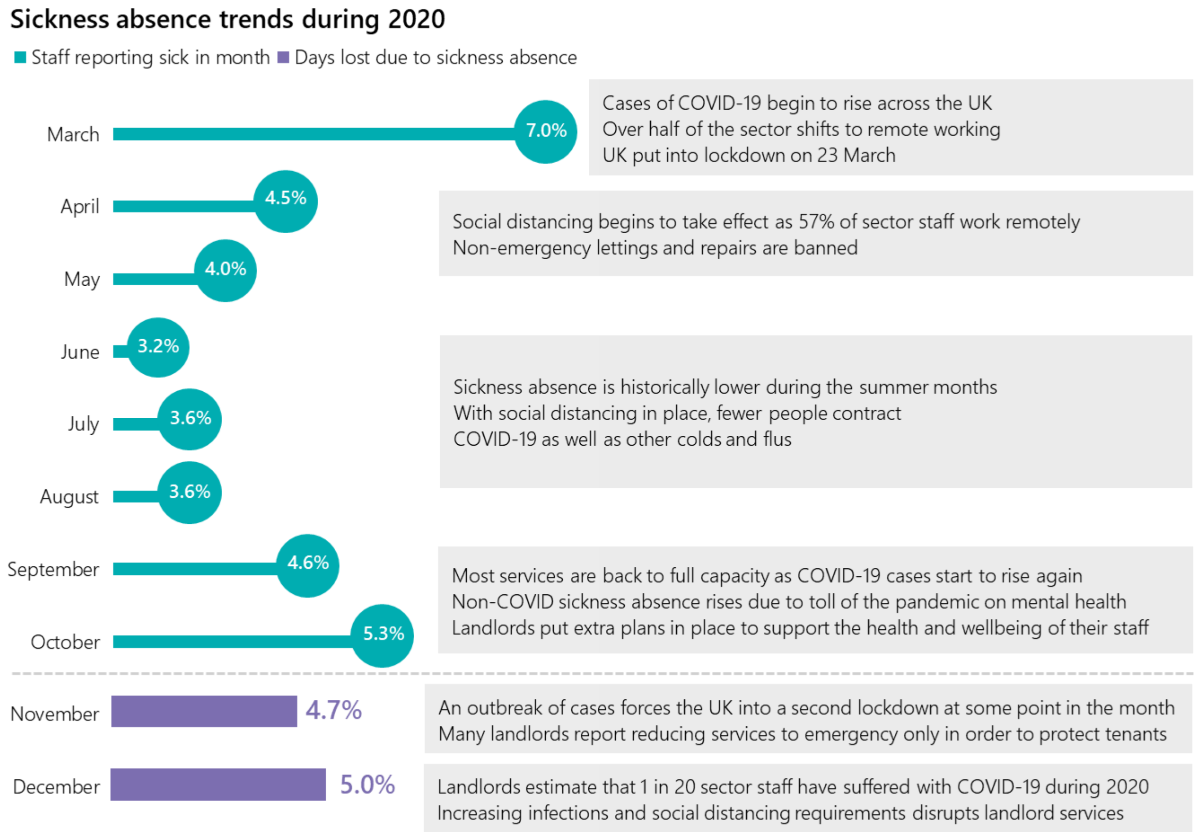
December 2020 was different. As well as longer-term limitations on social contact, the effect of a more transmissible form of the virus resulted in a surge of cases and many changes to restrictions in a short space of time. Set this against the backdrop of a Christmas break from work and the rollout of COVID-19 vaccines, and the analysis of landlords' staffing data at the end of quarter 3, was characterised by variation and exception.

Across the UK-wide social housing sector, landlords lost around 5% of December's working days due to sickness absence. While this represented an increase from November, it did not correspond with the widely reported large spike in cases during the month.

From the qualitative data collected, some reasons for this include:

- **Regional variation** – many participants in Yorkshire and the North West reported no change or a fall in sickness absence. Many of these landlords also recorded previously high proportions of staff that had contracted the virus, meaning they had been caught in an earlier wave. These two regions also primarily recorded lower infection rates and were subsequently later to move into higher tiers of restrictions, during the period of tiered restrictions.

- **Stress and anxiety** – the ongoing changes to people's lives through the pandemic meant that landlords are continuing to record higher levels of sickness relating to employees' mental health.



Source: Housemark

Alongside this overall sickness level, participants estimated that around 1 in 20 housing staff had suffered from COVID-19 at some point in 2020. This is equivalent to the proportion of all people in the UK who have had the disease, which meant that housing workers were no more likely to test positive for COVID-19 than the wider population[14]. In addition to this, evidence from several participants stated that even with positive tests, many housing staff felt well enough to work from home during the required period of self-isolation. This has presented some difficult HR issues in terms of recording infections outside of normal sickness reporting.

We found some evidence that landlords with directly employed repairs teams (DLOs) have recorded higher sickness rates and more cases of COVID-19 amongst staff. Sickness rates in December were, on average, 7% higher for landlords with DLOs than for those outsourcing to contractors. Landlords with significant care and support business also reported higher overall infection estimates since March 2020 – averaging 12% of all employees.

[14] https://coronavirus.data.gov.uk/details/cases

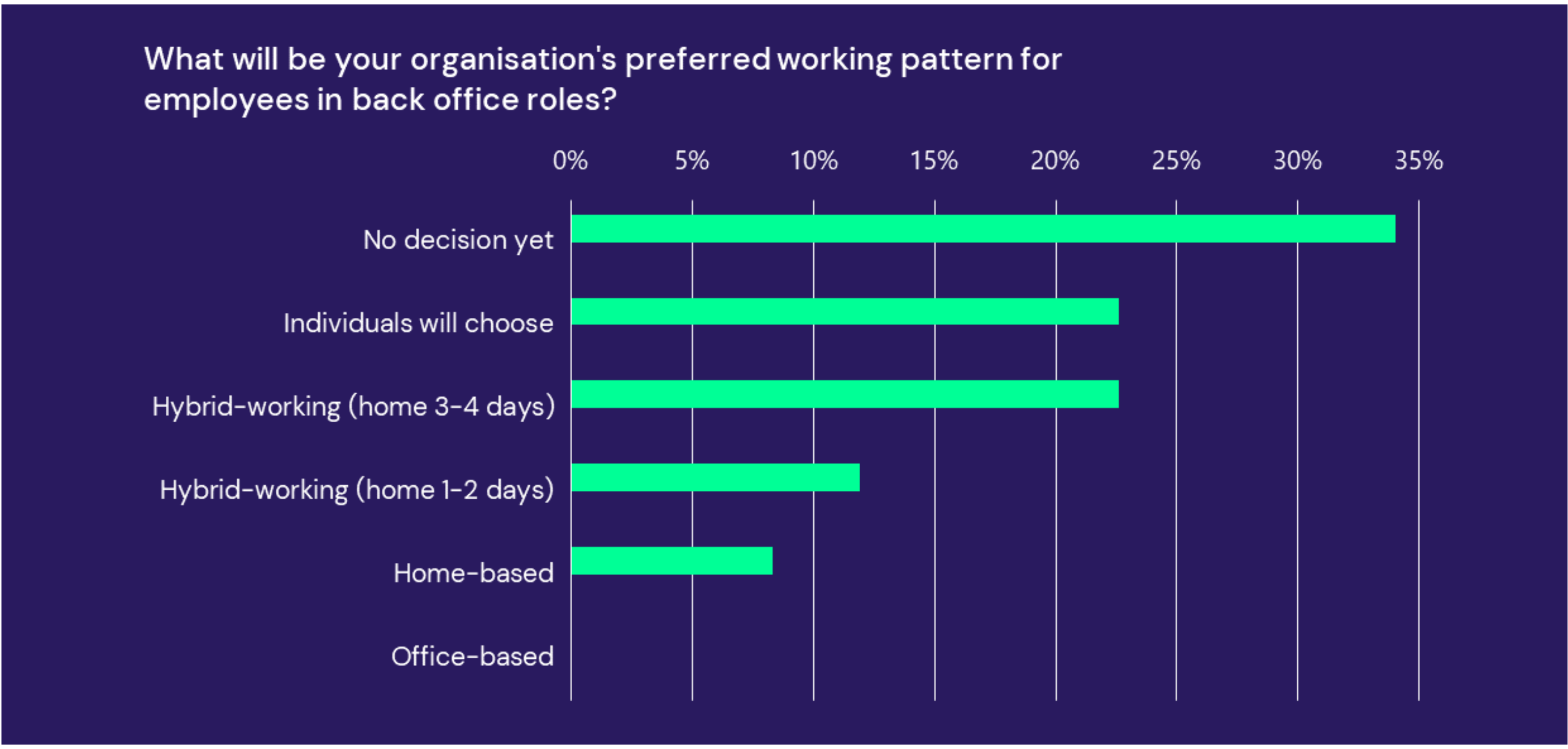
As we moved into 2021, the COVID-19 vaccination programme started to benefit the housing sector.

> *Vaccinations have been made available to our care home staff in the first instance and are extending to our Care at Home staff. We have emphasised the importance of getting vaccinated and over 200 staff have already had their first injection. The rollout of the programme has differed in each local authority – with some being quicker to respond and plan than others.*
> *Two of our care homes have had tenants vaccinated and we are still awaiting confirmation about our third in Glasgow. Our care homes are not specifically for older people, which means that they are not considered highest priority despite us having many elderly and vulnerable tenants – a point we continue to make clear to local Health Boards.*
> *We anticipate that by early summer, all our care staff will be vaccinated. Like many other organisations, we are actively engaging with staff to allay any fears around vaccination and promote the benefits it brings.*
> *Our aim throughout this pandemic has been to ensure that our staff and customers are protected from this virus. Staff having their vaccine will ensure that we have the best level of protection available, and this will help to protect our customers who are still waiting their turn. We anticipate that we will still have to continue our testing regime for some time beyond vaccination and that staff will need to remain vigilant.*
> Wendy Russell, Head of Business Services, Blackwood Homes and Care

We also found landlords highlighting the need for other staff to be vaccinated – such as engineers carrying out essential safety work in vulnerable tenants' homes.

> *As part of the national effort to respond to COVID-19 our sector's landlords and tenants continue to work together to keep rented properties safe. Rightly, priority for vaccination is given according to age and health condition as well as care and support workers, but after these groups there are many frontline housing workers who should be considered.*
> *Even during the heightened restrictions of the first lockdown, government and regulatory bodies stressed the need to continue with annual servicing of gas appliances. In carrying out this legal obligation, landlords face difficulties with access as tenants who are shielding, ill or have been contacted by track and trace feel unsafe with service engineers in their home.*
> *Contractors who need to access up to eight properties a day to service boilers should be prioritised for earlier vaccination. This would reassure both service engineers and tenants while ensuring rented homes are well maintained, safe and secure.*
> Alexander Carle, Asset and Development Manager, Grampian Housing Association

At 2020-21 year end, as lockdown restrictions eased and each UK Government published its road map out of the pandemic, we examined the sector's working patterns.



Source: Housemark

One in 12 landlords in the UK were intending to move back-office workers into more permanent home-based roles. This leaves most of the sector looking again at hybrid arrangements. This is in line with many corporate and commercial employers such as banks, online retailers, and software providers[15].

The move to hybrid working will not be simple for most and many landlords are taking time to consider the impact of the change - including what that means for office space, team working and performance monitoring in a hybrid model.

In line with banks such as Lloyds and HSBC[16], social housing landlords were planning to reduce office space by up to 50%. This could result in significant savings for landlords in a sector that spends £950 million each year on office premises.

However, there are also costs involved to convert spaces for hot-desking and collaboration. Over a year, we estimate that landlords moving from five-day office working to two days per week will save around £1,200 per formerly office-based employee.

Overall, the social housing sector's thinking is very much in line with many other formerly office-based industries. The pandemic has proved to be a catalyst for change and a strong driver for take up of digital technology so that staff no longer need to permanently work behind a desk in an office environment.

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[15] https://www.ft.com/content/f568997c-513c-48b0-8422-fabacda46418
[16] Ft.com as above

PART FOUR

Conclusions

Social landlords in Scotland are now working to recover from the impact of the COVID-19 pandemic. This report has highlighted how significant that impact has been, including higher levels of arrears, backlogs in letting empty homes, and higher numbers of people in temporary accommodation.

We continue to work in a fast-changing environment with the possibility of measures to tackle the pandemic likely to continue in some form for some time to come. Managing short term disruptions, alongside building resilience and planning for an uncertain and volatile future is looking like the 'new normal' as social landlords continue to strive to deliver on their social purpose.

We would like to thank all social housing landlords, both in Scotland and the rest of the UK, who have worked tirelessly throughout the pandemic to support their tenants, communities and staff.